Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF KOSOVO REFUGEE EMERGENCY ASSISTANCE GRANT PROGRAM (90-ZK-0002)

IMMIGRATION AND REFUGEE SERVICES OF AMERICA

WASHINGTON, D.C.

JANET REHNQUIST
Inspector General

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DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES
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December 10, 2001

Lavinia Limon, Executive Director
Immigration and Refugee Services of America
1717 Massachusetts Avenue, Suite 200
Washington, D. C. 20036

Dear Ms. Limon:

We have reviewed the Administration for Children and Families (ACF) grant (90-ZK-0002) awarded to the Immigration and Refugee Services of America (IRSA) for the "Kosovo Refugee Emergency Assistance Grant Program". The objectives of our review were to determine if IRSA:

- Achieved the grant objectives,
- Complied with standard terms and conditions of the grant, and
- Maintained a system of accounting and internal controls capable of managing Federal funds.

We found that IRSA was able to accomplish all grant objectives, generally in compliance with the standard terms and conditions of the grant, and capable of managing Federal funds. However, we also determined that IRSA:

- Charged the grant $6,804 for a leased computer server during the time that the server was no longer being used for the grant.
- Charged the grant $4,109 in expenditures unrelated to the grant.
- In some cases, relied on verbally communicated accounting and internal control policies and procedures which supplanted missing written directives.
- Maintained a cash balance in one bank in excess of $100,000. A balance in excess of $100,000 or in excess of collateralization is not insured by the FDIC, regardless of whether it is held in single or multiple accounts.

BACKGROUND

The IRSA is a non-profit organization that began in New York in 1910 as the American Council for Nationalities Services. In 1994, the American Council for Nationalities Services merged with the United States Committee for Refugee Services to become IRSA, with headquarters in Washington D. C. The IRSA's mission is to defend human rights, build communities, foster education and promote self-sufficiency among immigrants. During the fiscal year ending September 30, 2000, IRSA had revenues of $17,138,998 including federal grants of $14,491,200.

From May 1999 through April 2000, ACF provided $1,165,927 in Federal funds to IRSA for the Kosovo Refugee Emergency Assistance Grant Program. The purpose of the grant was to facilitate processing of Kosovo refugee applications for refugee status in the United States. To accomplish this, ACF required IRSA to set up a joint voluntary agency (JVA) with the Immigration and Naturalization Service (INS) at the United States Army Base at Fort Dix, New Jersey.

OBJECTIVE, SCOPE AND METHODOLOGY

The Kosovo Refugee Emergency Assistance Grant Program was randomly selected for review along with other grants from a national database maintained by ACF. The objectives of our review were to determine if IRSA:

- Achieved the grant objectives,
- Complied with the standard grant terms and conditions, and
- Maintained an accounting system and system of internal controls capable of managing Federal funds.

We performed our review in accordance with Generally Accepted Government Auditing Standards. To determine if IRSA achieved the grant objectives, we reviewed the grant final report and a judgmental sample of 10 applications for refugee status and conducted interviews with IRSA and INS personnel.

To determine if IRSA was capable of managing Federal funding, we reviewed organizational and accounting policies and procedures, interviewed accounting personnel and reviewed a Management Advisory Letter from IRSA's Independent Certified Public Accountant (CPA), covering the grant period. We also reviewed selected internal controls to determine if internal controls were sufficient in ordinary circumstances to prevent expenditures not in accordance with the standard terms and conditions of the grant. As for items not tested, nothing came to our attention to indicate that IRSA was not in compliance with the standard terms and conditions of the grant. We performed our review at IRSA offices in Washington D. C. and the OIG office in Philadelphia from July through September 2001.

RESULTS OF REVIEW

Program Results

The grant objective was to facilitate the refugee status application process for Kosovo refugees from May 1999 to April 2000. During this period, IRSA facilitated 4,049 Kosovo refugee applications. Based on our review of refugee applications and the final grant report, we determined that IRSA had accomplished the objectives described in the grant application. The grant objectives were divided into two functions, Coordinating and Case Processing.

The Coordinating functions were described in the grant as:

- Coordinate with IRSA Headquarters, establish the Fort Dix Office, coordinate with Fort Dix Facility Management, liaison with the ACF Office of Refugee Resettlement personnel on site, select and train caseworkers, train interpreters, and coordinate with INS and the International Organization for Migration (IOM) personnel.

According to INS and IRSA personnel, the IRSA refugee applications were completed at Fort Dix with the assistance of a IRSA caseworker. The applications indicated that refugees spoke little or no English, and thereby required the services of an interpreter. Further, IRSA documented communications from IOM and INS. Therefore, we determined that these functions were completed.

The Case Processing functions were described in the grant as:

- Opening a case file, assigning a number; entering the case in the computer base and completing INS form I-590 "Application for Refugee in the U. S." for each applicant in the nuclear family unit and assisting INS in requesting low level security checks from the Department of State on refugees aged 14 or older.

- Completing the "Family Relationship Form" for each person 17.5 years or older and completing the FD-258 "Fingerprint Card" for each person 13.5 years or older and recording medical examinations and completing the bio-data form for each refugee.

- Assigning the refugee a travel packet and assuring that prospective voluntary agencies will assist in placing the refugee into a community.

We determined from our review of applications and interviews with INS personnel that IRSA successfully completed all of these functions.

There were several processing functions that were listed in the grant as, "complete if necessary". Our judgmental sample of applications indicated that these functions were not completed. However, we determined that these functions were not necessary for the provision of required services. These functions included:

- Processing INS form I-730 "Refugee Asylee Relative Petition". This form is used by a refugee to request refugee status in the United States for additional members of the immediate family. The sampled applications indicated that refugee family members were airlifted to the United States together, therefore, this form was generally not required.

- Translations of refugee birth certificates, marriage certificates and death certificates. From interviews with IRSA and INS personnel, we learned that most refugees did not have time to gather their marriage or birth certificates, prior to the airlift.

- Processing the "Health and Human Services Benefits Letter". This letter assists refugees in acquiring Social Security benefits but was not required because the refugees were given Social Security cards during the application process.

Therefore, we determined that IRSA accomplished the grant objectives.

Grant Terms and Conditions

In general, IRSA implemented sufficient procedures and controls to meet the standard terms and conditions of the grant. However, IRSA did not have controls to liquidate obligations within 90 days of the close of the grant.[1] The grant Standard Terms and Conditions number 7 requires IRSA to:

> "…liquidate all obligations incurred under the award not later than 90 days after the end of the project period."

The IRSA leased a computer server costing $14,076 from May 1999 to October 2001. However, at 90 days after the close of the grant, IRSA was no longer using the server for grant-related purposes. At that time, IRSA had made lease payments $7,272 and had a liability for $6,804 on the lease.

The IRSA charged the entire $14,076 lease price of the server to the grant instead of $7,272 which represented the total of lease payments actually made during the grant period and was overpaid $6,804 for the time that the server was not used on the grant project. We determined that IRSA was, in fact, using the server for other IRSA projects unrelated to the grant.

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[1] The 90 day period began on May 1, 2000 and ended on July 30, 2000.

Fiscal Accountability

With some exceptions, IRSA had sufficient written accounting policies and procedures in place to properly manage and account for Federal funding and IRSA personnel generally followed their policies and procedures. However, the following areas are in need of improvement:

- The IRSA did not maintain sufficient procedures to close a Federal Grant. As a result IRSA claimed expenditures of $4,109, which were not expended on the grant. This amount was moved from IRSA's grant bank account to the general bank account at the close of the grant and was never expended for the grant or refunded to ACF. The Code of Federal Regulations 45 Part 74,"Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations," at Section 71(d) states:

  "The recipient shall promptly refund any balances of unobligated cash that HHS has advanced or paid and that is not authorized to be retained by the recipient for use in other projects."

- The IRSA maintained a cash balance in excess of $100,000 in one bank. For the one month we reviewed, IRSA maintained a cash balance in four accounts combining to exceed $146,000 at one bank. Cash balances in one bank in excess of $100,000 or in excess of collateralization are not insured by the FDIC, regardless of whether the balances are maintained in single or multiple accounts. Also, the Office of Management and Budget (OMB) Circular A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations" at Section 21(b)(3) requires the award recipient financial management system to:

  "…provide for effective control over accountability for funds, property and other assets."

- The IRSA did not maintain sufficient written policies and procedures covering:

  - Record cash transfers,
  - Reconcile bank accounts
  - Prevent expenditures above budget,
  - Safeguard unused checks,
  - Exclude expenses prohibited by OMB Circular A-122 "Cost Principles for Non-Profit Organizations".

In response to comments made by IRSA's Independent CPA in the CPA's Management Advisory Letter of November 15, 2000, IRSA compiled an

accounting manual. However, the areas mentioned above are not included in the manual. According to IRSA, their personnel had supplanted the missing written policies with verbal policies. However, as IRSA's CPA stated in the Management Advisory Letter:

> "…Written policies…should prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records."

CONCLUSIONS AND RECOMMENDATIONS

The IRSA was able to accomplish all grant objectives. Also, IRSA was generally in compliance with the standard terms and conditions of the grant and was capable of managing Federal funds.

However, our limited review of selected internal controls related to standard terms and conditions of the grant revealed that IRSA did not have a policy to assure that all liabilities were paid within 90 days of grant closure. As a result, IRSA overcharged the grant $6,804 for lease payments on a computer server. Further, IRSA did not have controls to properly close a grant and overstated grant expenditures by $4,109.

The IRSA lacks controls to preclude cash balances in excess of $100,000 in one bank and, in some cases, relied on verbally communicated internal control policies and procedures which supplanted missing written directives.

We recommend that IRSA:

- Assure that grants are closed properly and all grant liabilities are liquidated within 90 days of grant completion.

- Refund to ACF $10,913 for grant charges that were not expended on the grant. This includes $6,804 in grant charges that were unexpended for a computer server and $4,109 in various grant charges that were not expended on the grant.

- Take action to preclude bank balances in any one bank in excess of $100,000 unless additional insurance is obtained.

- Ensure that all accounting and internal control policies and procedures are documented in writing.

IRSA Response and OIG Comments

By letter dated December 4, 2001, IRSA responded to a draft of this report. We have included IRSA's response as an Appendix. The IRSA substantially agreed with our findings and recommendations and stated that they are in the process of preparing

guidelines and procedures for closing out any Federally funded program. The IRSA also stated that management monitors its bank accounts on a daily basis but agrees that, in some instances, the accounts exceeded the FDIC insured limit of $100,000. However, neither IRSA nor its auditors anticipate any risk of loss as a result of this concentration. The IRSA is in the process of preparing an accounting manual that will maintain an effective system of internal control to monitor policies and procedures established by management. Finally, IRSA agreed to refund $10,913 in grant charges that were not expended on the grant.

We believe that IRSA has taken positive steps to improve internal controls over the accounting and security of Federal grant funds. The daily monitoring of account bank account balances is a reasonable control to ensure that balances do not exceed insurance coverage. However, IRSA should ensure that uninsured balances are recognized and handled appropriately.

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Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, HHS/OIG Office of Audit Services reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act (See 45 CFR Part 5).

To facilitate identification, please refer to Common Identification Number A-03-01-00513 in all correspondence relating to this report.

Sincerely yours,

David M. Long

David M. Long
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:

Director, Division of Financial Integrity
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Room 702 Aerospace Building
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IRSA
IMMIGRATION AND REFUGEE SERVICES OF AMERICA
SERVING IMMIGRANTS AND REFUGEES FOR MORE THAN 80 YEARS

December 4, 2001

David M. Long
Regional Inspector General for Audit Services
U.S. Department of Health & Human Services
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Philadelphia, PA 19106-3499

Dear Mr. Long:

Thank you for sending me the Office of Inspector General (OIG) draft audit report entitled **"REVIEW OF KOSOVO REFUGEE EMERGENCY ASSISTANCE GRANT PROGRAM (90-ZK-0002)".**

In response to the findings addressed in the above referenced report, they are as follows.

Proper Grant Close-out
IRSA is in the process of preparing guidelines and procedures for closing out any Federally funded program to ensure proper liquidation of grant liabilities within the stipulated three-month period.

FDIC Limit Excess
IRSA's management monitors its bank accounts on a daily basis. In some instances, the accounts in one bank do exceed the FDIC insured limit of $100,000. However, neither management nor its auditors anticipate any risk of loss as a result of this concentration.

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Written Accounting Policies and Procedures
IRSA is in the process of preparing an accounting manual that will maintain an effective system of internal control in order to monitor compliance with policies and procedures established by management.

Refund of Payment
IRSA agrees that ACF should be refunded in the amount of $10,913.

Thank you for the opportunity to review and comment on this report.

Sincerely,

Lavinia Limon
Executive Director