Office of Inspector General
Corporation for National and Community Service

Agreed-Upon Procedures to the United Planning Organization, Grant Numbers 02SFSDCO78 and 03SFSDC001

OIG Report Number 05-06

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This report was issued to Corporation management on November 22, 2004. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than May 22, 2005, and complete corrective action by November 22, 2005. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AGREED-UPON PROCEDURES ENGAGEMENT
UNITED PLANNING ORGANIZATION
GRANT NUMBERS 02SFSDCO78 AND 03SFSDC001

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EXECUTIVE SUMMARY

The National and Community Service Trust Act of 1993 established the Corporation for National and Community Service (Corporation). The Corporation funds opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who make a substantial commitment to service.

The Corporation awards grants and cooperative agreements to State commissions, nonprofit entities, tribes, and territories to assist in creating full-time and part-time national and community service programs. The Foster Grandparents Program (FGP) provides grants for the dual purpose of engaging persons 60 and older in volunteer service to help at-risk children and youth with special needs, and of providing a high-quality experience that will enrich the lives of the volunteers. Program funds are used to support Foster Grandparents in providing supportive, person-to-person service to children with exceptional or special needs.

The objectives of our agreed-upon procedures engagement were to determine if claimed costs reported to the Corporation by the United Planning Organization (UPO) were allocable and allowable, and whether UPO complied with applicable Federal laws and regulations, and the terms and conditions set forth in the grants. We are questioning $160,927 of the $1,906,955, or 8.4 percent, of expenditures incurred under the grant agreements through June 30, 2004, due to noncompliance with grant terms and conditions.

Summary of Questioned Costs			
Grant	**Grant Period**	**Claimed**	**Questioned**
02SFSDCO78	04/01/02 to 12/31/02	$577,030	$37,522
03SFSDC001	01/01/03 to 12/31/03	778,774	82,125
03SFSDC001	01/01/04 to 12/31/04	551,151	41,280
TOTAL		$1,906,955	$160,927

The questioned costs include $82,600 of salary, overtime, and fringe benefits charged for a driver and a grants monitor, whose positions were never approved by the Corporation. These positions were charged to the grant from May 2003 to July 2004. We were also unable to determine whether these employees actually worked on the grant.

The following internal control findings are addressed in this report:

- The grantee did not comply with grant terms and conditions.
- The grantee's time sheets contained errors and were not signed.

- The grantee's policies and procedures did not address its drawdown practices.

- The grantee did not provide complete assignment plans for Foster Grandparents.

- The grantee's budgets included erroneous information on amounts contributed to match volunteer travel costs.

Serious financial management issues, including questionable and unauthorized purchases, were included in a recent report issued by the District of Columbia Department of Human Services, an OMB A-133 audit, this agreed-upon procedures engagement, and a Head Start monitoring visit. Since March 2004, UPO has taken a number of actions in response to these findings. The actions include the termination of the former Executive Director and an FGP employee; the replacement of several members of the Board of Directors; the establishment of a By-Laws Committee; and the implementation of several financial operations changes. These changes include restricting out-of-town travel, converting consultants to employees, refinancing UPO debt, and establishing new cell phone and vehicle use policies.

The management of UPO generally concurred with most of our findings and recommendations. In its response to the draft audit report, UPO management acknowledged certain deficiencies in its internal control systems and established an aggressive program to address financial and program management issues found during the audit that were also identified in other Federal audits. The management of UPO concurred with most of the disallowed grant costs, except UPO requested the following adjustments for the January 1, 2003, to December 31, 2003, period:

Cost Category	Questioned Costs	UPO Response
Bonus	$ 19	The bonus was incorrectly charged to fringe benefits.
Utilities-Electric	228	UPO claims this amount is included in the supplies budget.
Utilities-Water	2,000	UPO claims this is allowed in the budget.
Equipment-Computer	4,306	UPO claims this is allowed in the budget.
Clothing	2,438	UPO requests amount be applied to the supplies budget.
Meals	114	UPO requests that this be allowed as a line item in the supplies budget.
Indirect	13,890	UPO responded that it did not include this amount on its Financial Status Reports.

Although there was no overtime in the budget, UPO also requested that the Corporation allow these costs for efforts provided by the program coordinator and an intern who worked extra hours completing program assignments in all three program years.

We reaffirm our findings and recommendations. The aforementioned items, including overtime, were either not in the budget, or were to be paid from the grantee's share rather than with Federal funds. The indirect charges of $13,890 may not have been in Financial Status Reports, but they were drawn down by UPO. Also, as stated in Schedule D, we recommend that the Corporation require UPO to submit its total grantee share to the Corporation to ensure that UPO met its matching requirements. As part of the audit resolution process, the Corporation will determine whether the questioned costs are allocable and allowable under the grant. The UPO's and the Corporation's responses are included as Appendices A and B, respectively.

BACKGROUND

The Foster Grandparent Program is part of Senior Corps, a Corporation program that provides older Americans the opportunity to put their life experiences to work for local communities. Foster Grandparents serve as mentors, tutors, and caregivers for at-risk children and youth with special needs. They serve in a variety of community organizations, including schools, hospitals, drug treatment facilities, correctional institutions, Head Start programs, and day care centers.

The goals of the FGP are to:

- Enable low-income persons to remain physically and mentally active and to enhance their self-esteem through continued participation in needed community service;
- Enable children with either exceptional or special needs to achieve improved physical, mental, emotional, and social development, thereby helping them to reach social, behavioral, developmental, and educational goals; and
- Provide a stipend and other benefits which enable eligible persons to participate as Foster Grandparents without cost to themselves.

To be eligible, Foster Grandparents must be 60 years of age, have limited income, and be determined through a medical examination to be capable of serving children with exceptional or special needs. For their service, Foster Grandparents receive a tax-free stipend of $2.65 an hour, reimbursement for transportation and meals during service, free annual physical examinations, and free accident and liability insurance while on duty. The stipend enables the Foster Grandparents to serve without cost to themselves.

Foster Grandparents must serve an average of 20 hours a week for a minimum of nine months per year. Foster Grandparents may not serve more than 1,044 hours per year. Federal regulations require all Foster Grandparents to receive a written volunteer assignment plan that:

- Is approved by the sponsor and accepted by the Foster Grandparent;

- Identifies the individual child to be served;
- Identifies the role and activities of the Foster Grandparent and expected outcomes for the child;
- Addresses the period of time each child should receive such services; and
- Is used to review the status of the Foster Grandparent's services in working with the child.

United Planning Organization was established in 1962 to plan and implement social services for the Washington, DC, area. Corporation grants to UPO enable approximately 157 Foster Grandparents to volunteer at more than 44 work sites. They work with children and young adults to provide parenting skills for young mothers; serve children in schools, hospitals, and community day care centers; and meet various educational and health needs.

OBJECTIVES, SCOPE, AND METHODOLOGY

We performed an agreed-upon procedures engagement of the following Corporation awards:

Grant No.	Grant Period
02SFSDCO78	04/01/02 to 12/31/02
03SFSDC001	01/01/03 to 12/31/05

Our objectives were to determine if claimed costs reported to the Corporation were allocable and allowable, and whether UPO complied with applicable Federal laws and regulations, and the terms and conditions set forth in the grant. To accomplish our objectives, we took the following steps:

- Interviewed the Corporation program officer responsible for the FGP;
- Reviewed Corporation grant files;
- Interviewed UPO personnel;
- Reviewed UPO employee personnel files, time sheets, and payroll records;
- Reviewed volunteer files, time sheets, and stipend payments;
- Reviewed selected UPO policies and procedures, and the UPO drawdown process;

- Compared UPO expenses to the approved budgets; and

- Analyzed UPO financial records for unallowable costs.

Our fieldwork was performed from May 2004 to August 2004. Our agreed-upon procedures engagement covered grant activity from the time of the award to the current period. We conducted exit conferences with UPO and the Corporation on August 26, 2004. We conducted our agreed-upon procedures engagement in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

FINDINGS AND RECOMMENDATIONS

This report pertains only to the performance of agreed-upon procedures to determine if claimed costs reported to the Corporation were allocable and allowable, and whether UPO complied with applicable Federal laws, regulations, and the terms and conditions set forth in the FGP grant. We did not perform an examination on the subject matter of this report, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other reportable matters might have come to our attention.

Agreed-upon procedure results are detailed in Schedules A through D and the related notes, and are summarized below:

Summary of Questioned Costs			
Grant	**Grant Period**	**Claimed**	**Questioned**
02SFSDCO78	04/01/02 to 12/31/02	$577,030	$37,522
03SFSDC001	01/01/03 to 12/31/03	778,774	82,125
03SFSDC001	01/01/04 to 12/31/04	551,151	46,755
TOTAL		$1,906,955	$160,927

SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION GRANT NO. 02SFSDC078
APRIL 1, 2002, TO DECEMBER 31, 2002

Cost Category	Claimed Costs	Questioned Costs	Notes
Overtime	$ 332	$ 332	1
Fringe Benefits	86	86	2
Indirect	56,692	56,692	3
Other Operating Costs	539,508		
Operating Costs Not Claimed	(19,588)	(19,588)	4
Total	$577,030	$37,522	

NOTES TO THE SCHEDULE OF CLAIMED AND QUESTIONED COSTS

1. **Overtime.** The UPO claimed $332 for overtime for the FGP. We question these costs because overtime was not authorized in the approved grant budget. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, Section 8(f), states that overtime is allowable only with the prior approval of the awarding agency.

2. **Fringe Benefits.** Claimed fringe benefit costs were based on a 25.92 percent rate computed by UPO and applied to total labor costs. Accordingly, we question $86 ($332 x 25.92 percent) of fringe benefit costs associated with Note 1 above.

3. **Indirect.** The UPO claimed indirect costs that were not permitted under grant provisions. The claimed amount was based on a 10.5 percent rate that was applied to total labor costs. The indirect expense charged to the FGP grant was not included in UPO's official books and records.[1] The UPO's Chief of Revenue and Reports manually calculated the indirect expenses prior to drawing down funds from the Department of Health and Human Services' Payment Management System (PMS). The Chief of Revenue and Reports may not have been aware that an indirect rate was not authorized. We therefore question the total claimed indirect expense of $56,692.

4. **Operating Costs Not Claimed.** The UPO incurred $19,588 of expenses in excess of the $577,030 grant. We therefore reduce our questioned costs by $19,588.

[1] The UPO uses a monthly trial balance report to prepare drawdowns. The trial balance did not include any of the $56,692 of indirect costs.

SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION GRANT NO. 03SFSDC001
JANUARY 1, 2003, TO DECEMBER 31, 2003

Cost Category	Claimed Costs	Questioned Costs	Notes
Regular Pay	$160,830	$31,646	1
Overtime	10,719	10,719	2
Fringe Benefits	52,741	11,290	3
Bonus	19	19	4
Utilities-Electric	228	228	4
Utilities-Water	2,000	2,000	4
Food and Refreshment	5,475	5,475	4
Equipment-Computer	4,306	4,306	4
Clothing	2,438	2,438	4
Meals	114	114	4
Indirect	13,890	13,890	5
Other Operating Costs	542,982		
Total	$795,742	$82,125	

NOTES TO THE SCHEDULE OF CLAIMED AND QUESTIONED COSTS

1. **Regular Pay.** In May 2003, the former UPO Executive Director transferred two positions, a bus monitor and a driver, from the UPO Executive Office to the FGP grant. At this time, the bus monitor was appointed as a grant monitor and was given a 56 percent salary increase. Both employees were charged to the FGP grant until this engagement began. We question 100 percent of the labor charges for these two employees due to the following: 1) UPO was unable to demonstrate that they worked on the FGP grant; 2) UPO did not include the positions in its grant budgets and, therefore, the Corporation never approved the positions; and 3) the positions were not needed to fulfill the grant objectives.

Staff from the UPO informed the OIG that they never observed these two individuals working on the FGP grant. The UPO Office Director stated that the grant monitor and the driver began working on the FGP grant effective April 2004 and June 2004, respectively. The UPO submitted a revised budget request to the Corporation approximately one year after the salaries of both employees were first charged to the grant. However, the Corporation never approved the revised budget.

The bus monitor, who was transferred to a grant monitor position, informed the OIG that she may have commenced work on the FGP grant in approximately November 2003. However, she did not know the difference between the FGP grant and other UPO grants involving senior services. For example, she stated that she works with Foster Grandparents at her duty station, the Wellness Center, on Alabama Avenue in Washington, DC. However, this location does not have a Foster Grandparent program. The other transferred employee, the driver, stated that he was provided a new job number in May 2003, which he used to complete his time sheet. However, his daily work did not change after his transfer to the FGP program.

We determined that the transfer of these two employees to the FGP grant was unnecessary because UPO already had an employee performing Foster Grandparent monitoring, and the Foster Grandparents, who transport themselves to the volunteer stations, do not require the services of a driver. Furthermore, UPO reimburses its estimated 157 Foster Grandparents for mileage or bus fare to their duty locations.

This transfer of positions appears to have been an attempt by UPO management to shift the organization's administrative salaries to Federal funding without authorization or programmatic rationale.

2. **Overtime.** The UPO claimed $10,719 of overtime for the FGP. Included in this amount was $8,065 of overtime charged by the driver whose position was not approved under the grant agreement. See Note 1. We also question these costs because overtime was not authorized in the approved grant budget.

3. **Fringe Benefits.** Claimed fringe benefit costs were based on a 26.65 percent rate computed by UPO that was applied to total labor costs. Accordingly, we question $11,290 (($31,646 + $10,719) x 26.65 percent) of fringe benefit costs associated with Notes 1 and 2 above.

4. **Miscellaneous Expenses.**

   a. We question the costs claimed for bonus ($19), utilities-water ($2,000), food and refreshment ($5,475), clothing ($2,438), and meals ($114). In accordance with the authorized grant budget, these cost items were to be paid from the grantee's share rather than with Federal grant funds. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, defines cost sharing as that portion of project or program costs not borne by the Federal Government. We question these costs because UPO's budget estimated that these costs would be paid from its own funds, but UPO actually charged these costs to the grant.

   b. We question utilities-electric costs ($228) and equipment-computer costs ($4,306) because these cost items were not included in UPO's approved budget. OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* Attachment A, Section A(2), states that, to be allowable under an award, costs must conform to any limitations or exclusions set forth in the award as to type or amount of cost items. We question these costs because UPO did not include them in the budget submitted to, and approved by, the Corporation.

5. **Indirect.** The UPO claimed indirect costs that were not permitted to be charged to this grant. The claimed amount was based on a 10.5 percent rate that was applied to total labor costs. HHS and UPO agreed to a provisional rate. The indirect expense charged to the FGP grant was included in UPO's trial balance and the Chief of Revenue and Reports may not have been aware that an indirect rate was not authorized when he performed the drawdown. We therefore question the total claimed indirect expenses of $13,890.

Schedule C

SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION GRANT NO. 03SFSDC001
JANUARY 1, 2004, TO JUNE 30, 2004

Cost Category	Claimed Costs	Questioned Costs	Notes
Regular Pay	$110,196	$ 23,813	1
Overtime	8,287	8,287	2
Fringe Benefits	40,025	8,555	3
Food & Refreshment	6,100	625	4
Other Operating Costs	386,543		
Total	$551,151	$ 41,280	

NOTES TO THE SCHEDULE OF CLAIMED AND QUESTIONED COSTS

1. **Regular Pay.** See Schedule B, Note 1.

2. **Overtime.** The UPO claimed $8,287 of overtime for the FGP. Included in this amount is $1,694 of overtime charged by a driver whose position was not approved in the grant agreement. See Schedule B, Note 1. We question these costs because overtime was not authorized in the approved grant budget.

3. **Fringe Benefits.** Claimed fringe benefit costs were based on a 26.65 percent rate computed by UPO that was applied to total labor costs. Accordingly, we question $8,555 (($23,813 + $8,287) x 26.65 percent) of fringe benefit costs associated with Notes 1 and 2 above.

4. **Food & Refreshment.** The authorized budget for the Corporation's grant with UPO did not include any expenses for food and refreshments. The authorized budget included "meal/lunch" to be paid by the grantee as a non-Federal matching contribution to the program. Therefore, we question the entire claimed food and refreshment expenses. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations,* defines cost sharing as that portion of project or program costs not borne by the Federal Government. We question these costs because UPO's budget estimated that these costs would be paid from its own funds, but the UPO actually charged these costs to the grant.

UNITED PLANNING ORGANIZATION
INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

During the course of agreed-upon procedures, the following conditions came to our attention:

1. **The grantee did not comply with grant terms and conditions.**

As detailed in Schedules A through C, UPO billed costs that were unallocable and unallowable in violation of grant terms and conditions. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, Section A(2), states that, to be allocable and allowable under an award, costs must conform to any limitations or exclusions set forth in the award as to the type or amount of cost items. In some cases, when the Chief of Revenue and Reports performed the drawdowns, he may not have been aware that certain cost items were unallocable and unallowable to the FGP grant.

Recommendations:

A. The Corporation should instruct UPO to revise its policies and procedures to ensure that it claims only allocable costs under the FGP grant.

B. The Corporation should recover the questioned costs via Corporation Policy Number 101, Audit Resolution.

2. **The grantee's time sheets contained errors and were not signed.**

We requested FGP employees' time sheets for calendar year 2003 and the first six months of 2004. The Program Manager was unable to provide time sheets for the grant monitor and the driver. The UPO's General Counsel located these missing time sheets and provided them to us. We determined that 20 time sheets of the grant monitor and driver omitted employee or supervisory signatures, and 27 of their time sheets had mathematical errors.[2] In all cases, the mathematical errors resulted in excess overtime hours charged to the FGP grant, other grants, and the Executive Director's Office. The excess overtime hours are questioned in conjunction with total overtime charged as presented in Note 2, Schedules B and C.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* Attachment B, Section 8(m)(2)(c) states, "reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee." In some cases, the time sheets for the grant monitor and driver were not submitted through a supervisor for a review of completeness and accuracy. Labor mischarging and other errors can take place without an effective timekeeping system.

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[2] We tested the biweekly time sheets from May 10, 2003, to June 18, 2004, for both employees.

The UPO's policies also require that time sheets be signed and that the payroll accountant review all time sheets for mathematical accuracy. The payroll accountant who was to perform this duty during the period covered by this report is no longer employed by UPO. We were therefore unable to ascertain why she did not review those time sheets for accuracy.

Recommendation: The Corporation should instruct UPO to comply with its timekeeping policies and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*.

3. **The grantee's policies and procedures did not address its drawdown practices.**

The UPO's policies and procedures did not address its current practices for withdrawing funds from the Department of Health and Human Services' PMS. The actual practice at UPO for withdrawing funds included the completion of a withdrawal form that was signed by the Chief of Revenue and Reports and the Executive Director. The UPO's policies and procedures state that the Chief of Revenue and Reports shall draw cash from the U.S. Treasury and do not mention the Executive Director's responsibilities or the use of a withdrawal form.

The UPO was not aware that its policies were inconsistent with its procedures. Without consistent policies and procedures, future UPO drawdowns may be improperly performed, and may circumvent the Executive Director's authorization.

Recommendation: The Corporation should instruct UPO to enhance its drawdown policies and procedures to document the Executive Director's responsibility for approving drawdowns of funds from the PMS, and to document the use of the withdrawal forms.

4. **The grantee did not provide complete assignment plans for Foster Grandparents.**

Complete assignment plans were not included in any of the six Foster Grandparent personnel files tested. In accordance with 45 CFR § 2552.72, UPO is required to furnish its Foster Grandparents with a written volunteer assignment that:

- Is approved by the sponsor and accepted by the Foster Grandparent;
- Identifies the individual children to be served;
- Identifies the role and activities of the Foster Grandparent and expected outcomes for the child;
- Addresses the period of time each child should receive such services; and
- Is used to review the status of the Foster Grandparent's services in working with the child.

The UPO used an "Assignment Information" form that included general information on the Foster Grandparents' assigned classroom, grade and service schedule. However, none of the information required by Federal regulation was included on this form. The UPO was not aware that more specific information was required.

Recommendation: The Corporation should instruct UPO to provide written assignment plans to all Foster Grandparents in accordance with 45 CFR § 2552.72 requirements.

5. **The grantee's budgets included erroneous information on amounts contributed to match volunteer travel costs.**

Volunteer travel expenses are the amounts UPO reimburses its Foster Grandparents to enable them to serve at no cost to themselves. Such expenses include reimbursement for bus fares and automobile mileage to volunteer stations. The UPO submitted budgets to the Corporation that included volunteer travel expenses as a grantee-shared expense. Based on UPO's budgets, the Corporation believed that UPO was paying for some of the volunteer travel amounts. However, UPO charged the Corporation the entire amount incurred for volunteer travel for each program year. The UPO budgeted, and the Corporation approved, the following volunteer travel expenses:

Program Year	Total Amount	Corporation Share	Grantee Share
2002	$60,108	$40,362	$19,746
2003	96,131	53,102	43,029
2004	60,034	17,005	43,029
TOTAL	$216,273	$110,469	$105,804

Every two weeks, UPO provides volunteers with stipends and travel reimbursements in one check, and the total amount is recorded in the stipends account. The individual preparing the budgets may not have known that volunteer travel was recorded in the stipends account and, therefore, was unaware that UPO was charging the Corporation for the entire amount.

Recommendations:

A. The Corporation should instruct UPO to provide more accurate budgets that reflect actual charging practices.

B. The Corporation should require UPO to submit its total grantee share to the Corporation to ensure that UPO has met its matching requirements. If UPO has not met its matching requirements, the Corporation should recover the pro rata share of its volunteer travel expenses to the extent that UPO has not met its match.