

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF GRANT NO. 90-EO-0057
ACF DISCRETIONARY GRANT
FOR THE PERIOD
09/30/1997 – 09/29/2000**



**AUGUST 2001
A-07-01-01051**



Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

CIN: A-07-01-01051
August 27, 2001

Mr. Charles Palmer, Manager
Institute for Social and Economic Development
910 23rd Avenue
Coralville, IA 52241

Dear Mr. Palmer:

This letter report will provide you the results of our review of Grant No. 90-EO-0057, a discretionary grant awarded by the U.S. Department of Health and Human Services - Administration for Children and Families (ACF). For the period September 30, 1997 through September 29, 2000, the Institute for Social and Economic Development (ISED) received \$450,000 to administer a *Job Opportunities for Low-Income Individuals* program. Our objectives were to assess the achievement of the grant objectives and to determine compliance with grant terms and conditions.

We found that ISED did not fully meet the original grant objective of creating 120 full-time jobs. ISED officials said their revised objectives were communicated to ACF. The ISED response to our draft report is included in its entirety as Appendix A.

Scope of Review

Our review was conducted in accordance with generally accepted government auditing standards. Our review of internal controls was limited to those necessary to meet the objectives of our review.

We analyzed the grant applications to determine program objectives. Progress reports were reviewed and compared with source documentation to assess achievement. The frequency that reports were submitted was compared with reporting requirements to determine whether those requirements were met.

We reviewed independent audit reports, the organization chart, and the chart of accounts to assess internal controls and determine whether additional financial review would be appropriate.

Results of Review

Based on our review, we determined that ISED had sufficient controls in place to preclude a detailed financial review. However, ISED failed to meet the objective proposed for this grant. The ISED was to create 120 full-time jobs for low-income individuals by training individuals to own their own business at a cost per job of \$3,472. ISED created only 47 full-time jobs at cost of \$9,574 per job. However, ISED did create 22 part-time businesses that were in operation at the end of the grant period. The owners started such part-time ventures because they did not want to abandon their current jobs until the businesses were self-sufficient.

ISED was unable to provide us with documentation to support ACF approval for reducing the number of full time jobs. We found evidence to support ISED comments that such documents may have been destroyed in a fire.

We recommend that ISED obtain ACF written approval for any material changes in the scope of future projects.

ISED Comments

In commenting on our draft report (See Appendix A), ISED said they discussed the revised objectives with the ACF project manager and included the revised grant objectives in periodic reports to ACF.

OAS Comments

Since there was a material change in project objectives, we concluded that ISED should have obtained ACF's formal approval.

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INSTRUCTIONS FOR AUDITEE RESPONSE

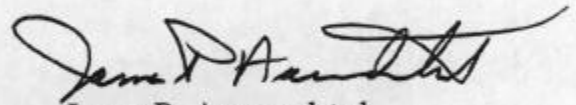
Final determinations as to actions to be taken on all matters reported will be made by the HHS Action Official identified below. We request that you respond to this official within 30 days of this report. Your response should address each recommendation and present any comment or additional information that you believe may have a bearing on the final determination.

Page 3 - Mr. Charles Palmer

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG, OAS reports issued to HHS' grantees and contractors are made available if requested, to members of the press and general public to the extent information contained therein is not subjected to exemptions in the Act which HHS chooses to exercise. (See 45 Code of Federal Regulations, part 5.)

The results of this audit will be included in a consolidated report to ACF. If you have any questions, please contact Joseph Green, Audit Manager, at (515) 284-4674, extension 23. Please refer to the common identification number (CIN) in all correspondence relating to this report.

Sincerely,



James P. Aasmundstad
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official
Mr. Mike Hill, Director
Division of Financial Integrity
Room 702 Aerospace Building
370 L'Enfant Promenade S.W.
Washington, D. C. 20447



August 13, 2001

James P. Aasmundstad
Regional Inspector General for Audit Services
U.S. Department of Health and Human Services
Office of Audit Services
Region VII
601 East 12th Street, Room 284A
Kansas City, Missouri 64106

CIN: A-07-01-01051

Dear Mr. Aasmundstad:

The purpose of this correspondence is to acknowledge and respond to your letter dated July 26, 2001 regarding the results of your review of Grant No. 90-EO-0057, awarded to ISED by DHHS - Administration for Children and Families (ACF).

Page 2 of your draft letter report states, "ISED was unable to provide documentation to support ACF approval for changes in the project's objectives." As we discussed with the Offices of Audit Services staff during their site visit, ISED had conversations with our project manager regarding the changes to the project's objectives. Further, we affirmed the changes in the grant objectives in the required bi-annual project reports to ACF. In each of the six bi-annual reports and final project report, ISED re-stated the changes we instituted in the project scope of work, which included project location and the proposed number of business to be created.

Thank you for the opportunity to respond to this draft report. If you have any questions or required additional information, please contact Jason Friedman, Director of Special Initiatives, at (319) 338-2331.

Sincerely,

Charles M. Palmer, President