



May 28, 2010

**TO:** Yvette Sanchez Fuentes  
Director, Office of Head Start  
Administration for Children and Families

**FROM:** /Lori S. Pilcher/  
Assistant Inspector General for Grants, Internal Activities,  
and Information Technology Audits

**SUBJECT:** Results of Limited Scope Review at Advocates for Children and Families, Inc.  
(A-06-09-00095)

The attached final report provides the results of our limited scope review of Advocates for Children and Families, Inc. (Advocates). This review was requested by the Administration for Children and Families (ACF), Office of Head Start, as part of its overall assessment of Head Start grantees that have applied for additional funding under the Recovery Act.

President Obama signed the Recovery Act into law on February 17, 2009. The Recovery Act includes measures to modernize our Nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. All Federal agencies and departments receiving Recovery Act funds must maintain strong internal controls and implement oversight mechanisms and other approaches to meet the accountability objectives of the Recovery Act.

The objective of our limited scope review was to assess Advocates' financial viability and its capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations.

We could not perform a fair assessment of Advocates' financial viability because its financial records were not always accurate. Advocates did not effectively manage and account for Federal funds or operate its Head Start program in accordance with Federal regulations. Specifically, Advocates (1) lacked an effective financial management system to adequately manage and account for Federal funds, (2) did not always value or account for the non-Federal matching portion of its budget in accordance with Federal regulations, and (3) had questionable arrangements with an accounting consultant and auditor.

In written comments on our draft report, Advocates disagreed with our overall summary of findings. Advocates agreed with our finding that it did not have sufficient cash to meet operating obligations. Advocates disagreed with or failed to provide information that was relevant to the remaining findings. Advocates did not provide any additional information that would lead us to change our findings or recommendation.

ACF should consider the information presented in this report when assessing Advocates' financial condition and determining whether Advocates should be awarded additional Head Start and Recovery Act grant funding.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-06-09-00095 in all correspondence.

Attachment

cc:  
Susan K. Johnston  
Regional Program Manager  
Administration for Children and Families  
Office of Head Start

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**RECIPIENT CAPABILITY AUDIT OF  
ADVOCATES FOR CHILDREN AND  
FAMILIES, INC.**



Daniel R. Levinson  
Inspector General

May 2010  
A-06-09-00095

# ***Office of Inspector General***

<http://oig.hhs.gov>

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Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**RECIPIENT CAPABILITY AUDIT OF  
ADVOCATES FOR CHILDREN AND  
FAMILIES, INC.**



Daniel R. Levinson  
Inspector General

May 2010  
A-06-09-00095

# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to P.L. 110-134, Improving Head Start for School Readiness Act of 2007, Head Start is a national program that promotes school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social, and other services to enrolled children and families. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF) administers the Head Start program. The Head Start program provides grants to local public and private nonprofit and for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families.

Pursuant to the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received \$1 billion, including nearly \$354 million to help improve staff compensation and training, upgrade Head Start centers and classrooms, increase hours of operation and enhance transportation services. An additional \$356 million was allocated to award all Head Start grantees a nearly 5-percent cost-of-living increase and bolster training and technical assistance activities.

Advocates for Children and Families, Inc. (Advocates), a nonprofit agency, operates a Head Start program that serves 3- to 5-year-old children and their families at locations in Victoria, Texas, and surrounding counties. Advocates is funded primarily through a Federal Government grant. During fiscal year (FY) 2009 (March 1, 2008, through February 28, 2009), ACF directly provided grant funds to Advocates totaling \$4,080,311. Advocates also received United States Department of Agriculture funding from the State of Texas for food totaling \$422,477.

Advocates received Recovery Act grant funding for FY 2010 totaling \$333,341 for cost-of-living increases and quality improvement.

### **OBJECTIVE**

The objective of our limited scope review was to assess Advocates' financial viability and its capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations.

### **SUMMARY OF FINDINGS**

We could not perform a fair assessment of Advocates' financial viability because its financial records were not always accurate. Advocates did not effectively manage and account for Federal funds or operate its Head Start program in accordance with Federal regulations. Specifically, Advocates (1) lacked an effective financial management system to adequately manage and account for Federal funds, (2) did not always value or account for the non-Federal matching portion of its budget in accordance with Federal regulations, and (3) had questionable arrangements with an accounting consultant and auditor.

## **RECOMMENDATION**

ACF should consider the information presented in this report when assessing Advocates' financial condition and determining whether Advocates should be awarded additional Head Start and Recovery Act grant funding.

## **ADVOCATES COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, Advocates disagreed with our overall summary of findings. Advocates agreed with our finding that it did not have sufficient cash to meet operating obligations. Advocates disagreed with or failed to provide information that was relevant to the remaining findings. Advocates did not provide any additional information that would lead us to change our findings or recommendation. Advocates' comments appear in their entirety as Appendix A.



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## **INTRODUCTION**

### **BACKGROUND**

#### **Head Start Program**

Pursuant to P.L. 110-134, Improving Head Start for School Readiness Act of 2007, Head Start is a national program that promotes school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social, and other services to enrolled children and families. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF) administers the Head Start program.

The Head Start program provides grants to local public and private nonprofit and for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families, with a special focus on helping preschoolers develop the early reading and math skills needed to be successful in school. Head Start programs engage parents in their children's learning and emphasize parental involvement in the administration of local Head Start programs.

Pursuant to the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received \$1 billion, including nearly \$354 million to help improve staff compensation and training, upgrade Head Start centers and classrooms, increase hours of operation and enhance transportation services. An additional \$356 million was allocated to award all Head Start grantees a nearly 5-percent cost-of-living increase and bolster training and technical assistance activities.

#### **Advocates for Children and Families, Inc.**

Advocates for Children and Families, Inc. (Advocates), a nonprofit agency, operates a Head Start program that serves 3- to 5-year-old children and their families at locations in Victoria, Texas, and surrounding counties. Advocates is funded primarily through a Federal Government grant. During fiscal year (FY) 2009 (March 1, 2008, through February 28, 2009), ACF directly provided grant funds to Advocates totaling \$4,080,311. Advocates also received United States Department of Agriculture funding, called transitional pass-through payments, from the State of Texas for food totaling \$422,477.

Advocates received Recovery Act grant funding for FY 2010 totaling \$333,341 for cost-of-living increases and quality improvement.

#### **Requirements for Federal Grantees**

Pursuant to 45 CFR § 74.21, grantees are required to maintain financial management systems that provide accurate, current, and complete disclosure of the financial results of each HHS-sponsored project and contain written procedures for determining the reasonableness, allocability, and allowability of costs. Grantees must maintain accounting records that are supported by source documentation. Grantees are also required to compare outlays with budget

amounts for each award and maintain effective control over all funds, property, and other assets. Grantees may use grant funds only for authorized purposes.

Section 642 of the Head Start Act states that a Head Start agency must document strong fiscal controls, including the employment of well-qualified fiscal staff with a history of successful management. Furthermore, 45 CFR § 1304.51(h) requires a grantee to establish and maintain an efficient and effective reporting system to generate periodic reports of financial operations and official reports for Federal authorities.

Regulations (45 CFR § 74.23) provide criteria for grantees to use in valuing and accounting for cost sharing or matching contributions, including cash and third-party in-kind contributions. In addition, 45 CFR § 1304.40(b)(1)(i) states that donated clothing is not allowable as match if it is beyond the scope of the purposes of the Head Start program.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of our limited scope review was to assess Advocates' financial viability and its capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations.

### **Scope**

We performed this review based on a limited scope request from ACF. Therefore, we did not perform an overall assessment of Advocates' internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objectives. Our review period was FY 2009.

We performed our fieldwork at Advocates' administrative office in Victoria, Texas, during July and August 2009.

### **Methodology**

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed Advocates' fiscal procedures related to accounting documentation and preparation of financial reports;
- obtained Federal and local Government grant award documentation to determine Advocates' Federal funding;

- reviewed Advocates' financial statements for FYs 2006 through 2009;<sup>1</sup>
- interviewed Advocates' management and accounting consultant to gain an understanding of internal controls procedures related to accounting, procurement, and property;
- reviewed documentation in support of Advocates' in-kind contributions for the fourth quarter of FY 2009; and
- reviewed Advocates' schedule of fixed assets and confirmed its vehicle inventory.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **FINDINGS AND RECOMMENDATION**

We could not perform a fair assessment of Advocates' financial viability because its financial records were not always accurate. Advocates did not effectively manage and account for Federal funds or operate its Head Start program in accordance with Federal regulations. Specifically, Advocates (1) lacked an effective financial management system to adequately manage and account for Federal funds, (2) did not always value or account for the non-Federal matching portion of its budget in accordance with Federal regulations, and (3) had questionable arrangements with an accounting consultant and auditor.

### **INADEQUATE FINANCIAL MANAGEMENT SYSTEM**

#### **Unallowable Cost for Early Head Start Consultant**

Advocates improperly used Federal Head Start grant funds to pay a private consultant to assist in the development and writing of an Early Head Start grant. Advocates contracted with the consultant to provide training and technical assistance on Early Head Start in the development and writing of the Early Head Start grant. Advocates contracted to pay the consultant \$15,000 over a 30-day period for these services. In addition, as part of the contract, Advocates agreed to provide the consultant with prepaid hotel accommodations, airfare, and ground transportation. According to Advocates' accounting records, it paid the consultant \$7,000 of the contracted amount as of June 2009.

#### **Board of Directors Provided With Understated Expenditure Reports**

Advocates provided its board of directors with monthly expenditure reports for FYs 2005 through 2009 that misrepresented Advocates' actual expenses. These reports, which compare Advocates' actual expenses by month and FY to budgeted amounts, are prepared by the fiscal

<sup>1</sup>We reviewed Advocates' audited financial statements for FYs 2006, 2007, and 2008, as well as unaudited financial statements for FY 2009.

officer in a spreadsheet program. The amounts reported, however, were not the same as what was recorded in Advocates' financial management system. It appears that the amounts reported for several expense accounts were adjusted up or down to match budgeted expenses. In FYs 2005, 2006, 2007, and 2009, the adjustments to the expense accounts on these reports resulted in a net understatement of total expenses by \$268,000, \$302,000, \$108,000, and \$51,000, respectively, when compared to the trial balance report for the same periods. In FY 2008, total expenses were overstated by \$28,000. As a result, Advocates' board of directors was not provided a true representation of actual expenses.

### **Insufficient Cash To Meet Operating Obligations**

Advocates did not have sufficient cash to meet its FY 2009 obligations with FY 2009 grant funds. As a result, Advocates used at least \$394,944 of FY 2010 grant funds to pay for expenses incurred in FY 2009. Of this amount, Advocates used \$94,378 to reimburse its non-Head Start bank accounts, which were drawn upon to meet salary expenses for the last pay period of the year. Advocates used the remaining \$300,566 to pay additional expenses, including \$110,695 in payroll taxes, \$75,000 for the employee pension fund, and \$4,725 for rent.

### **Questionable Adjusting Entries**

Advocates posted a number of questionable adjusting entries to its general ledger on July 10, 2009, 3 days before the start of our onsite review, without any supporting documentation or explanations accompanying the adjustments. One adjustment increased Advocates' Head Start cash account by \$108,174. This adjustment created an ending account balance of \$361 as of the end of February 2009, which matched the ending balance shown on Advocate's bank reconciliation for the same month. Without this entry, the cash account would have had a negative balance of \$107,813 as of February 2009. Another adjusting entry increased Advocates' vehicles account by \$40,443, although Advocates did not purchase or dispose of any vehicles during the fiscal year.

The accounting consultant recommended these entries to the fiscal officer, who posted them to the general ledger after obtaining approval from the executive director. According to the accounting consultant, the purpose of the adjustments was to balance the books prior to our review.

### **Misstated Balance Sheets**

Advocates misstated the value of fixed assets reported on its audited balance sheets for FYs 2005 through 2008. Advocate's fiscal officer told us that the accounting consultant prepared the fixed asset report and depreciation records. However, we found this report to be outdated and inaccurate. For example, the report showed that Advocates still owned two vans valued at \$23,456 and \$20,650 that we confirmed were sold in FYs 2001 and 2007, respectively. Inventory records for FY 2005 show that Advocates paid \$65,190 for three vans that were not reported on the consultant's spreadsheet. We visually confirmed that these vans were part of Advocate's vehicle inventory. The most recent date of acquisition for any equipment item shown on the consultant's fixed asset report was February 11, 1997.

## **Balance Carryovers for General Ledger Account Balances**

Advocates' ending account balances on its general ledger at the end of one fiscal period did not always carry over to the beginning account balances for the following period. For example, Advocates' Head Start cash account had an ending debit balance of \$361 in February 2009. However, the opening balance for March 2009 showed a credit balance of \$781,937. The financial consultant said that the difference was due to a problem with Advocates' accounting system software and that the fiscal officer had used incorrect parameters to prepare the general ledger report.

## **Lack of Internal Controls**

Advocates' internal controls were inadequate because they did not always separate key duties and responsibilities among individuals as 45 CFR § 1304.50(g)(2) requires. The regulation states: "Grantee and delegate agencies must ensure that appropriate internal controls are established and implemented to safeguard Federal funds in accordance with 45 CFR § 1301.13." Advocates authorized its fiscal officer to draw down Federal grant funds, post transactions to the general ledger, reconcile all bank accounts except the payroll account, and prepare checks for signature. These duties should be separated among individuals to mitigate the risk of fraud and mismanagement; specifically, the risk that an individual with authority to write checks and reconcile bank accounts could misuse or pilfer grant funds.

## **Misstated Tax Returns**

Advocates submitted tax returns to the Internal Revenue Service (IRS) for FYs 2006 through 2008 with ending balances for some accounts that did not always carry forward to the following years' beginning balances. In addition, the balances reported for some accounts on these tax returns appeared to be amounts that were reported in a previous fiscal year.

- Advocates reported the same beginning balance for its cash-non-interest-bearing account on its FY 2006 and 2007 tax returns. The beginning balance of \$330,449 for FY 2006 appeared to be correct because it matched the audited financial statements. However, this amount appeared to be incorrect as the beginning balance on the FY 2007 tax return because the audited financial statements indicated that the beginning balance should have been \$104,451.
- Advocates reported account balances in its FY 2007 tax return that matched the year-end amounts from its FY 2006 audited balance sheet for "land, buildings and equipment," "grants receivable," "accounts payable and accrued expenses," "unrestricted" and "permanently restricted" funds, and "total net assets."
- Advocates reported \$103,877 in the "grants receivables" account on its FY 2008 tax return. However, this amount appeared to be incorrect because Advocates' audited balance sheet for FY 2008 reported "grants receivables" of \$45,686.

Advocates' accounting consultant, who signed the returns as preparer, said that he was not aware of the errors on the returns until we brought them to his attention. He also stated that the software program he used to prepare the returns caused the errors.

## **IN-KIND VALUATION AND REPORTING**

Our review of Advocates' support for in-kind contributions claimed during the fourth quarter of FY 2009 found that Advocates overstated its match by \$371,672. This represents about 31 percent of Advocates' required match of \$1.2 million for FY 2009. Advocates overstated its non-Federal share because it (1) included in-kind contributions that did not qualify as allowable program costs, (2) overvalued volunteer time, (3) overvalued donated space, and (4) claimed more volunteer time than its records support.

### **Unallowable In-Kind Contributions**

Advocates overstated its share of in-kind contributions by \$269,439 for donated supplies, volunteer services, and gifts that would not have otherwise qualified as allowable program costs under Federal regulations. For example:

- Advocates included costs for food bank items donated to Head Start families valued at \$115,286.
- Advocates included costs for a group of dental professionals to bring a mobile dental van to Advocates' central office in Victoria to provide dental services. In-kind contributions included the hourly rate charged by the dental professionals for various activities (including driving, setting up the van, dental exams, paperwork, billing, and payroll), equipment, supplies, and hotel and meals. These costs were unallowable as in-kind because (1) Advocates did not have documentation to show that its children were ineligible to have these services covered by Medicaid or some other payer and (2) some costs were unreasonable and not necessary to accomplish Head Start program objectives. These services were valued at \$48,565.
- Advocates included costs for volunteer time from its employees for activities that fell into the scope of the employees' paid employment, including cleaning, laundry, and travel time for meetings; and volunteer time from parents of Head Start program children to attend Christmas programs/parties, wrap Christmas gifts, and attend Valentine's Day parties and "Dad's Day" lunches. These services were valued at \$29,245.
- Advocates included costs for Christmas gifts donated to Head Start children valued at \$22,865.

### **Overvalued Volunteer Time**

We estimated that Advocates overstated its match by \$32,731 because it overvalued volunteer time. Advocates valued its volunteer time at \$14.15 per hour. This was the average hourly rate, including fringe benefits and following 90 days of service, that Advocates paid to its teacher

aides and teachers with an associate's or bachelor's degree. Our review of in-kind documentation found that allowable volunteer activities typically included a child's parent, relative, or friend reading to the class, cleaning up classrooms, and helping with lunch. We believed, and the Office of Head Start concurred, that Advocates was not required to hire anyone more qualified than a teacher's aide to adequately perform any of these activities. Accordingly, Advocates' volunteer time valuation should be adjusted to the hourly rate of \$10.90, which includes fringe benefits, that was paid to its teacher aides. Thus, the difference between Advocates' overvalued hourly rate of \$14.15 and the adjusted rate of \$10.90 for allowable volunteer time donated during the fourth quarter of FY 2009 was \$32,731.

### **Overvalued Donated Space**

Advocates overstated its match by \$40,256 because it overvalued donated space at some of its center locations and central office. Advocates overvalued its donated space because it (1) did not account for an increase to its discounted rent at one location, (2) included the cost of space it already owned as donated space, and (3) incorrectly recorded the value of a lease for donated land on a monthly basis instead of as a single amount for the year.

## **QUESTIONABLE ARRANGEMENTS WITH CONSULTANT AND AUDITOR**

### **Accounting Consultant**

Advocates did not have a written contract with its accounting consultant, and the executive director told us that she considered the consultant to be a part-time employee. The consultant confirmed that he had a verbal contract with Advocates. However, Advocates did not account for the consultant as an employee or as a contractor because Advocates did not receive a timesheet from the consultant, did not withhold payroll taxes from his pay, and did not provide the contractor with an IRS Form 1099.

Advocates paid the accounting consultant \$1,250 every 2 weeks. The director said that the consultant actually worked 1 day per week during the school year and sporadically during the summer. The director added that the consultant's primary duty was to train the fiscal officer. However, according to the consultant, he had no supervisory duties. Rather, his duties included preparing Advocates' tax return, recommending adjusting entries to the general ledger, reconciling the payroll account, and maintaining the schedule of fixed assets and depreciation. The director said that although she was with Advocates when the consultant was hired in 1997, she could not recall how Advocates determined the consultant's compensation.

We told the director that the Texas State Board of Public Accountancy had revoked the consultant's license in November 2004. The director said that she was unaware of the revocation, that she would have ceased all business activities with the consultant if she had known, and that she would not continue working with him.



## **Independent Auditor**

Advocates' independent auditor appeared to be compensated more than what was budgeted for FYs 2007 through 2009. Advocates' budgeted audit fees for FYs 2007 through 2009 ranged from \$20,000 to \$26,000. However, the independent auditor signed a contract with Advocates in January 2007 for \$30,000 to conduct audit services each year during that same period.

Advocates did not disclose audit fee expenses to its board of directors in an expenditures report for FYs 2007 and 2008. Moreover, Advocates incorrectly disclosed audit fee expenses of \$20,000 to its board in the expenditures report for FY 2009. According to Advocates' general ledger, the auditor was actually paid \$27,000 in FY 2009. Advocates recorded the auditor's fee in FY 2009 as a debit to an "other payables" account instead of recording the audit fee as an expense. As a result, the "other payables" account had an ending debit balance of \$27,000 at the end of FY 2009.

The independent auditor issued an unqualified opinion in her Office of Management and Budget (OMB) Circular A-133 Single Audit Report of Advocates' financial statements for FYs 2006 to 2008. In those same reports, the independent auditor did not identify any material weaknesses for internal controls over financial reporting. As a result, these reports did not disclose any of the financial reporting or internal control deficiencies discussed in this report.

## **RECOMMENDATION**

ACF should consider the information presented in this report when assessing Advocates' financial condition and determining whether Advocates should be awarded additional Head Start and Recovery Act grant funding.

## **ADVOCATES COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, Advocates disagreed with our overall summary of findings. Advocates agreed with our finding that it did not have sufficient cash to meet operating obligations. Advocates disagreed with or failed to provide information that was relevant to the remaining findings. Advocates did not provide any additional information that would lead us to change our findings or recommendation. Advocates' comments, which we summarize below, appear in their entirety as Appendix A.

### **Unallowable Cost for Early Head Start Consultant**

#### *Advocates Comments*

Advocates said that it disagreed with this finding because it implied that Advocates cannot contract with a private consultant to assist in the development and writing of an Early Head Start grant. Advocates also stated that we did not specify any regulation, statute, or disallowable costs that prohibited it from paying the consultant's fees, hotel room, and airfare.

### *Office of Inspector General Response*

Our finding did not imply that Advocates could not contract with a private consultant to assist in developing an Early Head Start grant, only that Advocates could not use Federal Head Start funds for that purpose. Pursuant to 2 CFR part 230, Appendix A, to be allowable under an award, costs must be reasonable for the performance of the award, and to be allocable, costs must be incurred specifically for the award. In addition, ACF's Early Head Start Questions and Answers page from its Early Childhood Learning and Knowledge Center Web site states: "Funds from a current Head Start grant may not be used to write and submit an Early Head Start proposal."

### **Board of Directors Provided With Understated Expenditure Reports**

#### *Advocates Comments*

Advocates stated that 45 CFR § 74.53 did not require it to retain records for the periods ending February 28, 2005, and February 28, 2006. It added that the final Forms 269 were filed for these years on May 31, 2005, and May 31, 2006. In addition, Advocates stated that our comments demonstrated only that the fiscal officer did not prepare the expenditure compared to budget report from the expenditures on the trial balance generated by its system. Advocates stated this was not a breakdown in internal controls. Advocates stated that the fiscal officer made errors when preparing financial statements and that the fiscal officer was instructed to reissue the statement for the current fiscal year. Advocates also commented that it did not present inaccurate statements to the Federal Government and that all Forms 269 and 272 were filed in a timely manner and properly reported.

#### *Office of Inspector General Response*

Advocates did not directly comment on our finding that the monthly expenditure reports provided to its board of directors misrepresented actual expenses. Nothing in Advocates' response explained why several expense accounts on these reports were understated or why some accounts were adjusted up or down to match budgeted expenses.

We disagree with Advocates that the understated expenditure reports do not represent a breakdown in internal controls. Pursuant to 2 CFR § 215.21(b), "Recipients' financial management systems shall provide accurate, current and complete disclosure of the financial results of each federally-sponsored project or program ..., Records that identify adequately the source and application of funds for federally-sponsored activities ..., [and a] Comparison of outlays with budget amounts for each award." Therefore, understated expenditure reports presented to the board of directors represent a breakdown in Advocates' controls over providing accurate financial data. In addition, our finding did not relate to statements provided to the Federal Government.

## **Insufficient Cash to Meet Operating Obligations**

### *Advocates Comments*

Advocates agreed that it did not have sufficient cash to meet its operating obligations, but stated that this did not represent a breakdown in internal controls. Advocates stated that the situation resulted from the business environment and economic conditions of the prior year. In addition, Advocates stated that the items it paid for with FY 2010 grant funds—rent, salaries, pension, and payroll taxes—were allowable under OMB Circular A-122.

### *Office of Inspector General Response*

Advocates did not directly comment on paying FY 2009 expenses with FY 2010 grant funds. In addition, we did not question the allowability of these expenses, only that it used FY 2010 grant funds to pay FY 2009 expenses. Pursuant to 2 CFR § 215.28, “Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period ....” Therefore, any obligations incurred in FY 2009 should not have been paid with funds from the FY 2010 award.

## **Questionable Adjusting Entries**

### *Advocates Comments*

Advocates partially concurred with the statement regarding questionable adjusting entries posted without supporting documentation on July 10, 2009. Advocates stated that the date is correct but reflected only that the report had been generated; however, the generation of the report on that date did not imply that entries were made on that date. Advocates stated that there was supporting documentation for each journal entry.

Advocates did not concur with our finding that the \$108,174 adjustment made to its cash account was questionable. Advocates stated that anytime there is a difference between the reconciled bank balance, reconciled book balance, and the general ledger, a journal entry should be made. Advocates said that the reconciled balance showed \$361 as of February 2009. Advocates said that the general ledger reflected a balance of \$107,813 and that the bank reconciliation should have agreed with the book balance. Advocates added that the \$108,174 difference between the reconciled balance and the book balance in February 2009 represents support for the journal entry.

Advocates did not concur with our finding on the adjusting entry that increased the vehicles account. Advocates commented that someone could interpret the finding to mean that the fiscal officer committed an error and that the increase could have occurred only if equipment had been purchased during the year. Advocates further stated that the initial purchase of an asset is recorded in an expenditure account as a debit and moved into a permanent fixed assets account at the end of the year. Advocates stated that this entry was made to correct the fixed asset group of accounts.

Advocates commented that it was not clear why our report stated: “The accounting consultant recommended these entries to the fiscal officer, who posted them to the general ledger after obtaining approval from the executive director.” Advocates added that the statement implied that the accounting consultant was prohibited from submitting any recommendations and was not relevant to a weakness in internal control.

#### *Office of Inspector General Response*

We did not base our finding on the questionable adjusting entries on the date in the report heading. Rather, we based it on the line item date for the corresponding journal entry and the date on the prepared journal entry.

We disagree with Advocates’ justification for the \$108,174 adjustment made to its cash account. First, the general ledger did not reflect a balance of \$107,813 as Advocates stated in its response. The balance was actually a negative \$107,813 as of the end of February. Second, we disagree that support for the \$108,174 adjusting journal entry is the difference between the book balance and the bank statement balance. The difference between the book balance and the bank balance could partially represent outstanding checks and deposits that would have already been posted to the general ledger and thus would not require an adjusting journal entry. Advocates never provided us with a valid reason for the \$108,174 adjustment made to the cash account, other than to say that it was to balance the books prior to our review.

In regards to supporting documentation for the increase in the vehicles account, we asked Advocates to provide supporting documentation for the journal entries. However, Advocates was unable to provide documentation or a verbal explanation to support its justification for the adjusting entries. In addition, we disagree with how Advocates records the initial purchase of an asset. In accordance with FASB 117, the purchase of items such as buildings, equipment, and vehicles that are expected to provide goods and services over a long period of time should be reported as assets, not expenses. Depreciation for these assets should be recognized as expenses each year. Therefore, an increase to the vehicles account should arise only when an actual purchase has been made.

Our statement in the report about who recommended, posted, and approved adjusting entries did not imply that the consultant was prohibited from submitting any recommendations to the fiscal officer. However, we disagree with Advocates’ assertion that the statement was not relevant to a weakness in internal controls. The fact that Advocates did not have documentation or a verbal explanation to support its justification for the adjusting entries indicated that the controls over the creation and approval of these entries were questionable.

#### **Misstated Balance Sheets**

##### *Advocates Comments*

Advocates denied the existence of any audited balance sheets referenced in our report for the periods ending 2005 through 2008 and added that if they did exist for the periods ending 2005 and 2006, they were beyond the statute of limitations for review. Advocates said that there were

no statements called “Balance Sheet” for the periods ending 2007 and 2008. In addition, Advocates said that the accounting consultant did not maintain support for the amount of fixed assets reported on the purchasing officer’s schedule but had a copy of the agency’s depreciation schedule. Advocates stated that the values of the fixed assets were correct.

#### *Office of Inspector General Response*

Advocates’ statement that balance sheets for periods ending 2005 and 2006 did not exist is incorrect. The balance sheets that Advocates claims do not exist are actually entitled “Statement of Financial Position.” In the field of accounting, a statement of financial position is also referred to as a “balance sheet.” Pursuant to FASB 117, a statement of financial position, also referred to as a “balance sheet,” provides information about an organization’s assets, liabilities, and net assets. In addition, pursuant to 45 CFR § 74.53(b), “Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.” In addition, subpart (e) from the same section states, that the right to access this information is “... not limited to the required retention period but lasts as long as records are retained.” Therefore, our review of Advocates’ balance sheets for the periods ending 2005 through 2008 was appropriate.

In addition, the accounting consultant told us that he prepared the fixed asset report because the accounting system was not able to prepare the report. Advocate’s fiscal officer told us that the accounting consultant prepared the fixed asset report and depreciation records. The accounting consultant used an outdated inventory list to prepare the fixed asset report for the financial statements. The most recent date of acquisition for any equipment item shown on the consultant’s list was February 11, 1997. However, we obtained from Advocates’ property and procurement officer records that showed more recent transactions that were not documented on the consultant’s list.

### **Balance Carryovers for General Ledger Account Balances**

#### *Advocates Comments*

Advocates disagreed with our finding that account balances on its general ledger at the end of fiscal periods did not always carry over to the beginning balances in March. Advocates provided an attachment with its ledger with comments that Advocates claimed provided support that the ending balance for February 2009, \$361.17, was also the opening balance for March 1, 2009.

#### *Office of Inspector General Response*

Advocates provided a copy of the general ledger with a run date of April 6, 2009, that showed the cash account with a March 2009 opening credit balance of \$781,936.57. We were also provided general ledger copies that had been run while we were at Advocates on July 14, 2009, that showed the cash account with a closing debit balance for February of \$361.17. This report also showed all entries made to the Head Start cash account for the month ending February 2009.

In addition, the report showed that on July 10, 2009, Advocates made two retroactive correcting entries to its Head Start cash account for the month ending February 2009. These entries, for which Advocates did not have support, debited the cash account for \$107,582.68, which created the ending debit balance of \$361.17 for February.

Advocates did not have support for why the account opened in March with a credit balance of \$781,936.57, nor did it show what adjustment it made to change the opening balance to the \$361.17 shown on the attachment to its comments.

Our review of the cash account from previous months showed that it was not unusual for the account to have significant negative cash balances. To illustrate, in March 2008, the cash account opened with a negative \$673,867.76 balance and closed with a negative \$649,733.99 balance. In December 2008, the account closed with a negative \$591,636.85 balance.

### **Lack of Internal Controls**

#### *Advocates Comments*

Advocates did not concur with this finding and stated that there was no regulation requiring key duties to be separated. In addition, Advocates said that it had adequate separation of key duties to manage all agency funds and provided a synopsis of its internal controls. Advocates added that having complete separation of all aspects of internal control would not have been cost effective.

#### *Office of Inspector General Response*

Advocates did not have adequate separation of duties because the duties assigned to the fiscal officer presented a risk that an individual with authority to write checks and reconcile bank accounts could have misused or pilfered grant funds. We did not advocate a complete separation of all internal controls. However, we believe that Advocates could mitigate the risk associated with the duties assigned to the fiscal officer by adding compensating controls, such as secondary review, when separation of duties is not possible or cost effective.

### **Misstated Tax Returns**

#### *Advocates Comments*

Advocates stated that the comments in our draft report were different from the first draft. Advocates said that we stated in the first draft that we reviewed the tax returns for FYs 2005 and 2006. Advocates added that the returns for the years ending 2007 and 2008 were not discussed with the consultant and management and that revenues and expenses were properly reported.

#### *Office of Inspector General Response*

The only draft report we provided to Advocates was issued on November 30, 2009. We held an exit conference with Advocates on August 14, 2009, and provided them with a written summary

of our “preliminary” findings. We verbally explained, and documented on each page, that this summary was “preliminary” only. We further explained that our first official draft report would follow and that Advocates would have the opportunity to comment on our findings. We believe that what Advocates referred to as the “first draft” was the written summary of preliminary findings.

It is correct that our summary of preliminary findings incorrectly stated that we reviewed Advocates’ tax returns for FY 2005 and 2006. The Forms 990 that we reviewed had the years “2005” and “2006” at the top of the pages but were actually for the tax years ending 2006 and 2007. Nonetheless, our official draft report correctly disclosed the tax years we reviewed, and the findings we reported have not changed.

Finally, we discussed our findings related to the returns for the years ending 2007 and 2008 with the accounting consultant and the fiscal officer during our fieldwork at Advocates. Our findings on these tax returns did not relate to whether the revenues and expenses were reported properly. Rather, our findings show that the misstated balances reported for several accounts on Advocates’ tax returns indicate a breakdown in its ability to accurately report financial results. Pursuant to 2 CFR § 215.21(b), “Recipients’ financial management systems shall provide accurate, current and complete disclosure of the financial results of each federally-sponsored project or program.”

### **Overvalued Volunteer Time**

#### *Advocates Comments*

Advocates stated that because classroom volunteers were never designated as teachers or teacher aides and they both perform the same duties, the \$14.15 teacher rate is applied to both volunteer positions. Parents of Head Start children, relatives, or friends reading to the class, teaching lessons in the curriculum, and volunteering for other activities are the same activities the teachers and teacher aides perform. Advocates said that because of various volunteer requirements, they are considered to be volunteering in the same capacity as a teacher.

#### *Office of Inspector General Response*

Our assessment of Advocates’ overvalued volunteer time was based on the fact that volunteers did not perform the types of activities that would have justified a rate of \$14.15 per hour. Our review of in-kind documentation showed that volunteers did not perform most of the activities mentioned in Advocates’ comments, such as teaching lessons in the curriculum. Documented volunteer activities were limited to reading to the class, cleaning classrooms, and helping with lunch.

We do not contest Advocate’s claim that teachers and teacher aides perform the same duties, including the duties we saw documented. However, Advocates was not required to hire anyone more qualified than a teacher’s aide to adequately perform the duties that actually occurred. Accordingly, we stand by our conclusion that Advocates’ volunteer time valuation should be adjusted to the hourly rate, including fringe benefits, of \$10.90 that is paid to its teacher aides.

## **Overvalued Donated Space**

### *Advocates Comments*

Advocates stated that at no time did it count the one and only property it owned as donated space.

### *Office of Inspector General Response*

On August 12, 2009, we spoke to Advocates' property and procurement officer, who verified that an inventory report dated July 13, 2009, showed that Advocates owned the property in question located in Cuero, Texas. Further, according to a FY 2009 donated-space report provided by this officer, Advocates calculated the value of this property as donated space (\$1,010 per month) by multiplying the appraisal per square foot by the total square feet of the property. The property and procurement officer told us that she was unsure why this building was included on the donated-space report and counted as in-kind. Advocates did not provide any additional information about this property with its written comments that would lead us to change our finding.

## **Accounting Consultant**

### *Advocates Comments*

Advocates did not concur with our finding that it had a questionable arrangement with the accounting consultant. Advocates stated that it believed that a written contract was not required for the accounting consultant. Advocates said that the amount paid to the consultant was approved in the annual budget and did not exceed that amount. Advocates stated that according to OMB Circular A-122, the consultant's fee was allowable.

### *Office of Inspector General Response*

We did not question whether a written contract was required for the consultant or whether the amount the consultant was compensated was allowable or exceeded the annual budget. According to OMB Circular A-122, for a cost to be allowable it must be adequately documented. Advocates did not provide enough adequate documentation, e.g., a contract, time sheet, record of work performed, or other documentation to justify the amount paid to the consultant in relation to the amount of time he actually worked. Therefore, the allowability of the costs incurred for the accounting consultant was questionable.

## **Independent Auditor**

### *Advocates Comments*

Advocates stated that the arrangement with the auditor should not have been classified as questionable. Advocates said that the auditor had a bona fide contract that included a pay rate of



\$30,000 per year and that our statements demonstrated only that the fiscal officer failed to record the correct budgeted amount and to properly classify the audit cost in the general ledger.

Advocates added that the Office of Inspector General (OIG) cannot substitute its judgment for that of the auditor and that our comments seem to imply that the auditor should have reached the same conclusion we did in our report and made the same citation. Advocates further stated that the auditing standards of the auditor were more inclusive than that of OIG and that the independent auditor was required to exercise objectivity whereas the regional staff of OIG reported to the regional office of the Department of Health and Human Services.

*Office of Inspector General Response*

We did not question whether the auditor had a legitimate contract with Advocates. We questioned the amount Advocates paid to the auditor because the compensation was for more than what Advocates budgeted and more than what Advocates disclosed to its board of directors.

We identified significant issues that should have been detected, at least in part, by the independent auditor. As we stated in our report, we conducted our audit in accordance with generally accepted government auditing standards. We based the issues we identified and the conclusions we reached on documentary and testimonial evidence gathered in accordance with these standards. These standards provide the framework for performing high-quality audit work with competence, integrity, objectivity, and independence. Our objectivity and independence were not impaired during or after our audit of Advocates.

# **APPENDIX**

# Advocates for Children and Families, Inc.

Head Start Child Development Program

1908 N. Laurent St. Suite 150, P.O. Box 103, Victoria, Texas 77902-0103

December 11, 2009

Ms. Patricia Wheeler  
Regional Inspector General  
For Audit Services  
Department of Health & Human Services  
Office of Inspector General  
Office of Audit Services, Region VI  
1100 Commerce Street, Room 632  
Dallas, TX 75242

Report Number: A-06-09-00095

Enclosed is our response and exceptions to the Office of Inspector General's Findings and Recommendations dated November 30, 2009 entitled "Recipient Capability Audit of Advocates for Children and Families, Inc."

If you have questions, please contact Joyce Hyak at (361) 489-3063.

Sincerely,

Joyce Hyak  
Executive Director

## **FINDINGS AND RECOMMENDATION**

We could not perform a fair assessment of Advocates' financial viability because its financial records were not always accurate. Advocates did not effectively manage and account for Federal funds or operate its Head Start program in accordance with Federal regulations. Specifically, Advocates (1) lacked an effective financial management system to adequately manage and account for Federal funds, (2) did not always value or account for the non-Federal matching portion of its budget in accordance with Federal regulations, and (3) had questionable arrangements with an accounting consultant and auditor.

### **ADVOCATES RESPONSE TO FINDINGS AND RECOMMENDATION**

The conclusion above was based on incorrect information and a limited scope. Advocates for Children and Families, Inc. (ACFI) did not (1) lack an effective financial management system to adequately manage Federal funds, (2) Advocates did value and account for the non-Federal matching portion of its budget in accordance with Federal regulations, and (3) although not relevant to an evaluation of internal control there was no questionable arrangements with an accounting consultant and auditor.

#### Jurisdiction was not properly invoked.

According to the OIG this investigation was requested on April 13, 2009. It was alleged that a request was received from the Regional Office of Administration for Children and Families. The Regional Administrator appeared not to have knowledge of any written request for an investigation. It appears that the OIG arbitrarily initiated the investigation. According to the Inspector General's Act they can exam the records and financial activities of HHS program. This must come through a proper request from the Secretary of HHS or the Deputy Director. There is not a Deputy Director in the Regional Office of ACF.

#### Jurisdiction pertaining to tax matters.

The OIG did not document its authority, if any, to exam and report upon the Agency's tax returns. This authority rests solely with the Internal Revenue Service. The IRS has not found any exceptions to our tax returns. According to the Tax Code and the Code of Federal Regulations we were not required to maintain tax returns beyond three years after the filing date. We must note that the OIG did not specify any particular tax form in its findings.

Lack of jurisdiction to interview consultant.

Although the OIG claimed that the consultant was not an employee, members of the team interviewed the individual referred to as the accounting consultant. Once jurisdiction is invoked the OIG has only authority to interview employees of the Agency. It appears the OIG considered the consultant an employee for the purpose of conducting an interview, but they stated they were unsure.

Irrelevant alleged questionable arrangements.

The OIG included in their report and relied upon irrelevant parameters to conclude a lack of internal controls. Not only did the OIG fail to prove that the Agency had questionable contract arrangements, these arrangements did not rise to the level of an internal control weakness.

Lack of evidence to support weaknesses in internal control.

The OIG failed to present evidence to support their conclusion that with the internal controls currently in effect, the Agency could not adequately manage Federal funds. The Agency has a triennial Federal Monitoring Review. At no time did they report on mismanagement of Federal funds. The Agency has an annual audit each year.

Lack of separation of duties.

The OIG claimed that there was not enough separation of duties by key personnel. There was adequate separation, as outlined below, to manage all funds of the Agency. In considering the internal control environment, the OIG failed to consider cost versus benefits. To have complete separation of all aspects of internal control would not have been cost effective. Any additional personnel needed for a one hundred percent separation of all activities would have been charged to administrative expenses. Presently the administrative expense is limited to fifteen percent of the budget. There is no proof that the Agency would have benefited, whereas, there was no history of prior mismanagement of federal funds.

Lack of objectivity on behalf of the OIG.

In an interview with one of the consultants, he pointed out there is a prior and current adversarial

role with some members of the OIG's review team. There is an ongoing contract dispute with a prior program whereas the Regional Office permitted the grantee to spend over \$100,000 to defend itself against wrongful termination of the consultant's contract by this grantee.

### Unfair Disclosure

According to the consultant, the OIG was well aware of one of the consultant's ongoing investigations by the Texas State Board of Public Accountancy (The Board). The OIG provided and interviewed that grantee's lawyer. One of the Board's attorneys, at the time, was a partner with the law firm that is representing the grantee. At that time the consultant provided various documents to the OIG. The OIG did not disclose this information to Advocates. As stated below, the consultant requested through the courts to have the final opinion of the action of the Board published. This was done over the objection of the Texas State Board of Public Accountancy. The opinion by the appellate court in 2008 did not reverse the certificate revocation but it became landmark because it prohibited the Texas State Board of Public Accountancy from collecting legal fees. As published the attorney for the consultant failed to appear at the initial hearing.

## **INADEQUATE FINANCIAL MANAGEMENT SYSTEM**

### **Unallowable Cost for Early Head Start Consultant**

Advocates improperly used Federal Head Start grant funds to pay a private consultant to assist in the development and writing of an Early Head Start grant. Advocates contracted with the consultant to provide training and technical assistance on Early Head Start in the development and writing of the Early Head Start grant. Advocates contracted to pay the consultant \$15,000 over a 30-day period for these services. In addition, as part of the contract, Advocates agreed to provide the consultant with prepaid hotel accommodations, airfare, and ground transportation. According to Advocates' accounting records, it paid the consultant \$7,000 of the contracted amount as of June 2009.

### Response

This seems to imply that Advocates cannot contract with a private consultant to assist in the development and writing of an Early Head Start grant. The consultant's contract stipulated a training of staff. The finding above did not specify any regulation, statute or disallowable costs that prohibited us from paying the consultant, his hotel room and airfare. This condition implied

that Advocate's was prohibited from paying the airfare (prepaid) in advance; although all airfare is paid before you board the plane, hotel accommodations and ground transportation. It appears that the consultant was given a travel advance until he provides documentation for his actual cost. The OIG did not state nor present any evidence that the contract with the consultant and subsequent payment was a breakdown in internal control.

### **Board of Directors Provided with Understated Expenditure Reports**

Advocates provided its board of directors with monthly expenditure reports for FYs 2005 through 2009 that misrepresented Advocates' actual expenses. These reports, which compare Advocates' actual expenses by month and FY to budgeted amounts, are prepared by the fiscal officer in a spreadsheet program. The amounts reported, however, were not the same as what was recorded in Advocates' financial management system. It appears that the amounts reported for several expense accounts were adjusted up or down to match budgeted expenses. In FYs 2005, 2006, 2007, and 2009, the adjustments to the expense accounts on these reports resulted in a net understatement of total expenses by \$268,000, \$302,000, \$108,000, and \$51,000, respectively, when compared to the trail balance report for the same periods. In FY 2008, total expenses were overstated by \$28,000. As a result, Advocate's board of directors was not provided a true representation of actual expenses.

### Response

Due to the Federal Statute 45 CFR 74.53, the Agency was not required to retain records for the periods ending February 28, 2005 and February 28, 2006. The final Form 269's were filed for these years on May 31, 2005 and May 31, 2006. The comments above only demonstrate that the Fiscal Officer did not prepare the expenditure compared to budget from the expenditures on the Trial Balance generated by the system. This was not a breakdown in internal control. This represented errors in the preparation of financial statements by the fiscal officer and these errors were discovered prior to arrival of the OIG. The Fiscal Officer was instructed to reissue the statements for the current fiscal year. We do have checks and balances in place.

At no time did we present inaccurate statements to the Federal Government. All of the Forms 269 and 272 were timely filed and the expenditures properly reported. These reports were reviewed by numerous federal monitors and there were no exceptions. Each year we reported on Form 269, the expenditures did not exceed the grant award.

### **Insufficient Cash to Meet Operating Obligations**

Advocates did not have sufficient cash to meet its FY 2009 obligations with FY 2009 grant funds. As a result, Advocates used at least \$394,944 of FY 2010 grant funds to pay for expenses incurred in FY 2009. Of this amount, Advocates used \$94,378 to reimburse its non-Head Start bank accounts, which were drawn upon to meet salary expenses for the last pay period of the year. Advocates used the remaining \$300,566 to pay additional expenses, including \$110,695 in payroll taxes, \$75,000 for the employee pension fund, and \$4,725 for rent.

#### Response

The comments mentioned above do not represent a breakdown in internal control. This represents the business environment and economic condition for a prior year. The Agency for years paid one hundred percent of all full-time eligible employees health insurance. The Agency paid one hundred percent of employee's pension, the cost of food for the Child and Adult Care Food Program experienced sharp increases along with other costs such as rent. Yes, this is a condition but this condition was not brought about because there was no segregation of duties.

The amounts charged to rent, salaries, pension and payroll taxes are all allowable under OMB A-122.

### **Questionable Adjusting Entries**

Advocates posted a number of questionable adjusting entries to its general ledger on July 10, 2009, 3 days before the start of our onsite review, without any supporting documentation or explanations accompanying the adjustments.

#### Response

The above statement is partially correct and partially incorrect. The July 10, 2009 date is the date that is in the accounting software system. Anytime a report is generated, regardless of the period, the current date is embedded in the heading of the report. This date does not imply that entries were made on that day. This is an activity that should have been done regardless of a visit by the reviewers. It is the Agency's policy to prepare a self assessment before a review from an outside entity. It would be negligent on any personnel to see a discrepancy or deficiency and not correct it. The OIG is implying that no correction should have been made to the general ledger. There is no support for this assumption. There is supporting documentation for each journal entry.



### **Questionable Adjusting Entries**

One adjustment increased Advocates' Head Start cash account by \$108,174. This adjustment created an ending account balance of \$361 as of the end of February 2009, which matched the ending balance shown on Advocate's bank reconciliation for the same month. Without this entry, the cash account would have had a negative balance of \$107,813 as of February 2009.

#### Response

Anytime there is a difference between the reconciled bank balance, reconciled book balance, and the general ledger this calls for a journal entry. This entry is supported by the mathematical difference between the book balance and the reconciled balance.

This reconciliation showed a balance of \$361 as of February 2009. The general ledger reflected a balance of \$107,813. The OIG's team of seven reviewed the bank reconciliation also and did not find any discrepancies. The bank reconciliation should agree with the book balance. It is plain that the difference of \$108,174 between the reconciled balance and the book balance at February 2009 represents support for the journal entry.

The documentation reflected that the journal entry was prepared by the fiscal officer and approved by the highest level in management, the Executive Director.

The bank reconciliation was signed by the fiscal clerk, the fiscal officer and the executive director.

The OIG omitted that one of the strongest components of internal control centers on monthly bank reconciliations. The Agency reconciles all accounts on a monthly basis.

### **Questionable Adjusting Entries**

Another adjusting entry increased Advocates' vehicles account by \$40,443, although Advocates did not purchase or dispose of any vehicles during the fiscal year.

#### Response

A lay person or uninformed individual could interpret the comment above as the fiscal officer committed an error by posting \$40,443 to the vehicles and the only reason this could have been

done is if the Agency purchased equipment during the current year. The initial purchase of fixed assets is recorded in an expenditure account as a debit. At the end of the year, qualifying assets are moved from the expenditures category and into a permanently fixed assets account. This is a common entry for an Agency that maintains their books in accordance with FASB 117. This entry was made to correct the fixed asset group of accounts.

A questionable adjusting entry should not give rise to a weakness in internal control and this was not a questionable entry. On many occasions the fiscal officer was reticent when it came to explaining the record keeping of the Agency to the OIG.

### **Questionable Adjusting Entries**

The accounting consultant recommended these entries to the fiscal officer, who posted them to the general ledger after obtaining approval from the executive director.

#### Response

Again, it is not clear as to the purpose of the above statements. It is implied that the consultant was prohibited from submitting any recommendations. The statement is not relevant to and does not describe a weakness in internal control. The above entry was prepared by the fiscal officer and approved by the executive director.

Only if the accounting consultant prepared and approved entries for posting would there be a breakdown in internal control.

### **Questionable Adjusting Entries**

According to the accounting consultant, the purpose of the adjustments was to balance the books prior to our review.

#### Response

It is not plausible for the consultant to make such a statement. The consultant is familiar with the MIP fund accounting software and like most accounting software, no entry can be posted to the ledger unless there is a balancing set of entries. According to this procedure, our books are never out of balance because the system will not accept any entry unless there is an offset.

**Misstated Balance Sheets**

Advocates misstated the value of fixed assets reported on its audited balance sheets for FY's 2005 through 2008.

Response

The referenced audited balance sheets do not exist and the Agency did not prepare any balance sheets. If they did exist for the periods ending 2005 and 2006 they are beyond the statute of limitation for review. For the periods ending 2007 through 2008 there were no statements captioned "Balance Sheet". It appears that the OIG personnel has never performed an audit with adherence to FASB 117. If an investigation is held as to the jurisdiction and the authority given the OIG for this type of review it will confirm that they were not properly engaged.

**Misstated Balance Sheets**

The support for the amount of fixed assets reported is a schedule maintained by the accounting consultant. However, we found this schedule to be outdated and inaccurate. For example, the schedule showed that Advocates still owned two vans valued at \$23,456 and \$20,650 that we confirmed were sold in FYs 2001 and 2007, respectively

Response

The above statement is factually incorrect. The fixed asset schedule is maintained by the purchasing officer in accordance with CFR 45 Part 74 and not the accounting consultant. The consultant had a copy of the Agency's depreciation schedule. This schedule showed the value of the two vans were \$0 and \$0 respectively because they were fully depreciated instead of \$23,456 and \$20,650. To determine the net book value of assets, depreciation is deducted from costs. Technically, value no longer exists. There is nothing on any schedule that gives ownership to the consultant.

**Misstated Balance Sheets**

Inventory records for FY 2005 show that Advocates paid \$65,190 for three vans that were not reported on the consultant's spreadsheet. We visually confirmed that these vans were part of Advocate's vehicle inventory. The most recent date of acquisition for any equipment item shown on the consultant's schedule was February 11, 1997.

Response

Again there is no spreadsheet that is identified as the consultant's. These three vans appeared on the Agency's list of fixed assets. No depreciation was charged to any grant award. The purchasing officer gave the OIG staff a detailed list of all fixed assets.

### **Balance Carryovers for General Ledger Account Balances**

Advocates' ending account balances on its general ledger at the end of one fiscal period did not always carry over to the beginning account balances for the following period. For example, Advocates' Head Start cash account had an ending debit balance of \$361 in February 2009. However, the opening balance for March 2009 showed a credit balance of \$781,937. The financial consultant said that the difference was due to a problem with Advocates' accounting system software and that the fiscal officer had used incorrect parameters to prepare the general ledger report.

#### Response

I disagree with all of the above statements. The evidence did show that the ending balance carried over to the beginning March balance. "Advocates" Head Start cash account had an ending balance at the end of February 2009 and not "in" February 2009. The opening balance was \$361 for March 2008 and not a credit balance of \$781,937. The OIG acknowledged the receipt of the correct ledger account but seemingly they decided to ignore it. See Exhibit with a run date of July 11, 2009. This Exhibit firmly supports that the ending balance at February 28, 2009 was the beginning balance for March 1, 2009.

### **Lack of Internal Controls**

Advocates' internal controls were inadequate because they did not always separate key duties and responsibilities among individuals as 45 CFR § 1304.50(g) (2) requires. The regulation states: "Grantee and delegate agencies must ensure that appropriate internal controls are established and implemented to safeguard Federal funds in accordance with 45 CFR § 1301.13." Advocates authorized its fiscal officer to draw down Federal grant funds, post transactions to the general ledger, reconcile all bank accounts except the payroll account, and prepare checks for signature. These duties should be separated among individuals to mitigate the risk of fraud and mismanagement; specifically, the risk that an individual with authority to write checks and reconcile bank accounts could misuse or pilfer grant funds.

#### Response

The OIG conjectured that Advocates' internal controls were inadequate because they did not always separate key duties and responsibilities and that Advocates authorized its fiscal officer to

draw down Federal grant funds, post transactions to the general ledger, reconcile all bank accounts except payroll account and prepare checks for signature. There is no regulation that states that key duties must be always be separated and the duties described above do not represent key duties. It is highly unlikely that anyone within the accounting department could misuse or pilfer funds. The agency does not prepare manual checks and all checks require two signatures. All disbursements of federal funds require the signature of two board members or their facsimile signature. This stamp is kept separate and apart from accounting personnel under lock and key.

Below is a brief synopsis of internal control.

#### Cash Receipts:

The fiscal officer determines the amount of the draw down based on the amount of payables and payroll.

Then he obtains authorization from the executive director.

Then there is an electronic transfer of funds from the Department of HHS to the Agency's designated bank account.

These funds cannot be redirected or deposited in any other account

Then an entry is made to record the funds on the books.

There is no manual check issued for draw down to the Agency which would have required a manual deposit.

Every quarter HHS requires the Agency to file Form 272. On this form the detail of all deposits are posted to this form and it must match the bank deposits.

#### Disbursements:

The Agency has a strong internal control because of the following procedures.

Center managers, employees, and others determine their procurement needs.

A purchase requisition is prepared and submitted for budget approval.

If approved, the purchase is then submitted to the executive director for approval or disapproval.

Then a purchase order is issued upon approval.

The purchasing officer issues a purchase order and the necessary bids if required are obtained.

Upon delivery a receiving slip is prepared or the pink copy of the purchase order serves as the receiving slip.

All three items are matched with the invoice before payments.

Approval for payments is obtained.

Then a system check is prepared.

The checks require two board members signatures.

#### Payroll

Over 75 percent of the federal budget is payroll. As noted the payroll account is reconciled by someone independent of payroll responsibilities. There were no weaknesses noted in these procedures.

#### Misstated Tax Returns

Advocates submitted tax returns to the IRS for FYs 2006 through 2008 with beginning balances for some accounts that did not always equal the prior years' ending balances. In addition, the balances reported for some accounts on these tax returns appear to be amounts that were reported in a previous fiscal year.

- Advocates reported the same beginning balance for its cash-non-interest bearing account on its FY 2006 and 2007 tax returns. The beginning balance of \$330,449 for FY 2006 appears to be correct because it matched the audited financial statements. However, this amount appears to be incorrect as the beginning balance on the FY 2007 tax return because the audited financial statements indicate that the beginning balance should have been \$104,451.
- Advocates reported account balances in its FY 2007 tax return that matched the year end amounts from its FY 2006 audited balance sheet for "land, buildings and equipment", "grants receivable", "accounts payable and accrued expenses", "unrestricted" and "permanently restricted" funds, and "total net assets". Advocates reported \$103,877 in the "grants receivables" account on its FY 2008 tax return. However, this amount appears to be incorrect because Advocates' audited balance sheet for FY 2008 reported "grants receivables" of \$45,686.

#### Response

These comments are different from the first draft. In the first draft the OIG stated they reviewed the returns for FY 2005 and FY 2006.

The OIG does not have subject matter jurisdiction over the completeness and acceptance of IRS matters.

The OIG did not specify the type of return (941, 990, W-3 or 1098)

All returns have been accepted and approved by the IRS.

There were no requirements that the returns agree to the audit report.

The OIG did not receive the returns from the Agency.

The retention period for the years ended February 28, 2005 and 2006 had expired.

Revenues and expenses, the main focus of the return, were not duplicated from year to year.

The consultant was not paid to prepare the returns.

There has not been an open record request for any return.

This review was outside of the scope year 2009.

#### Misstated Tax Returns

Advocates' accounting consultant, who signed the returns as preparer, said that he was not aware of the errors on the returns until we brought them to his attention. He also stated that the software program he used to prepare the returns caused the errors.

#### Response

This seems to be a pattern to highlight activities of the consultant. This comment might have a place in a different report and venue but not in this report. Although the comments are not relevant and were not listed under the caption "lack of internal control" it serves to distract us from properly responding to the relevant issues. The revenues and expenses were properly reported. The Internal Revenue Service accepted the returns with the alleged transition of Assets, Liabilities, and Net Assets. The returns were beyond the statute of limitation for review by the public, the IRS, and any other entity. The Returns for the years ending 2007 and 2008 were not discussed with the consultant and management. The returns were properly prepared and the OIG did not specify any particular form.

#### **IN-KIND VALUATION AND REPORTING**

Our review of Advocates' support for in-kind contributions claimed during the fourth quarter of FY 2009 found that Advocates overstated its match by \$371,672. This represents about 31 percent of Advocate's required match of \$1.2 million for FY 2009. Advocates overstated its non-Federal share because it (1) included in-kind contributions that did not qualify as allowable program costs, (2) overvalued volunteer time, (3) overvalued donated space, and (4) claimed more volunteer time than its records support.

### **Unallowable In-kind Contributions**

Advocates overstated its share of in-kind contributions by \$269,439 for donated supplies, volunteer services, and gifts that would not have otherwise qualified as allowable program costs, as Federal regulations require. For example, Advocates included costs for:

- food bank items donated to Head Start families valued at \$115,286;
- a group of dental professionals to bring a mobile dental van to Advocates' central office in Victoria to provide dental services. In-kind contributions included the hourly rate charged by the dental professionals for various activities (including driving, setting up the van, dental exams, paperwork, billing, and payroll), equipment, supplies, and hotel and meals. These costs were unallowable as in-kind because (1) Advocates did not have documentation to show that its children were ineligible to have these services covered by Medicaid or some other payer, and (2) some costs were unreasonable and not necessary to accomplish Head Start program objectives. These services were valued at \$48,565;
- volunteer time from its employees for activities that fall into the scope of the employee's paid employment, including cleaning, laundry, and travel time for meetings; and volunteer time from parents of Head Start program children to attend Christmas programs/parties, wrap Christmas gifts, and attend Valentine's Day parties and "Dad's Day" lunches, valued at \$29,245; and
- Christmas gifts donated to Head Start children valued at \$22,865.

### **Overvalued Volunteer Time**

We estimate that Advocates overstated its match by \$32,731 because it overvalued volunteer time. Advocates valued its volunteer time at \$14.15 per hour. This is the average hourly rate, after 90 days of service, with fringe benefits, that Advocates paid to its teacher aides and teachers with an associate's and bachelor's degree. Our review of in-kind documentation found that allowable volunteer activities typically included a child's parent, relative, or friend reading to the class, cleaning up classrooms, and helping with lunch. We believe, and the Office of Head Start concurs, that Advocates would not require hiring anyone more qualified than a teacher's aide to adequately perform any of these activities. Accordingly, Advocates' volunteer time valuation should be adjusted to the hourly rate of \$10.90 that is paid to its teacher aides, including fringe benefits. Thus, the difference between Advocates' overvalued hourly rate of \$14.15 and the adjusted rate of \$10.90 for allowable volunteer time donated during the fourth quarter of FY 2009 amounts to \$32,731.



### Response

Classroom volunteers are never designated as teachers or teacher-aides. Since there is not a division of duties in the classroom between teacher and teacher-aides, therefore the \$14.15 teacher rate is applied to both volunteer positions. The teacher in the classroom and the teacher-aide in the classroom perform the exact same duties, regardless of their educational background or their status in life. Parents of Head Start children, relatives or friends reading to the class, teaching lessons in the curriculum, circle time, arrival time activities, learning centers and helping to serve lunch which is exactly what the teacher and teacher-aides do. Many of our volunteers have been hires as classroom staff and those that have an AA are hired as teachers in the classroom. Due to the requirement that volunteers have child development training prior to working in the classroom and all the necessary requirements to be with children, they are considered to be volunteering the capacity of teacher.

### **Overvalued Donated Space**

Advocates overstated its match by \$40,256 because it overvalued donated space at some of its center locations and central office. For example, Advocates overvalued its donated space because it (1) did not account for a decrease in the value of donated space when its rent expense increased at one location; (2) included the cost of space it owned as donated space, and (3) incorrectly recorded the annual value of a lease for donated land on a monthly basis instead of as a single amount for the year.

### Response

At no time did Advocates count the one and only property they own as donated space. After carefully reviewing the in-kind documentation we have found no evidence of that occurring.

The only donated land that Advocates uses is the donated land from HUD Senior Citizens Community of Cuero, Texas which also has donated the use of the portable building for a Head Start Center and the Waelder Independent School District property with a Head Start Center portable building on the property. Only the monthly rate for both sites has been applied as in-kind for these two properties.

The one property that had an increase in rent of \$50.00 was not a substantial amount for it to have made a difference in the in-kind that was counted. Therefore, a decrease in in-kind was not necessary.

## **QUESTIONABLE ARRANGEMENTS WITH CONSULTANT AND AUDITOR**

### **Accounting Consultant**

Advocates' does not have a written contract with its accounting consultant and the executive director told us that she considers the consultant to be a part-time employee. The consultant confirmed that he has a verbal contract with Advocates. However, Advocates does not account for the consultant as an employee or as a contractor because Advocates does not receive a timesheet from the consultant, does not withhold payroll taxes from his pay, and does not provide the contractor with an IRS Form 1099.

Advocates paid the accounting consultant \$1,250 every 2 weeks. The director said that the consultant actually works 1 day per week during the school year and sporadically during the summer. The director added that the consultant's primary duty is to train the fiscal officer. However, according to the consultant, he has no supervisory duties. Rather, his duties include preparing Advocates' tax return, recommending adjusting entries to the general ledger, reconciling the payroll account, and maintaining the schedule of fixed assets and depreciation. The director said that although she was with Advocates when the consultant was hired in 1997, she could not recall how Advocates determined the consultant's compensation.

We told the director that the Texas State Board of Public Accountancy had revoked the consultant's license in November 2004. The director said that she was unaware of the revocation, that she would have ceased all business activities with the consultant if she had known, and that she would not continue working with him.

### Response

No written contract is required and the OIG failed to cite the appropriate statute. This arrangement does not rise to the level of being questionable. This amount is approved in the annual budget. It does not exceed the budgeted amount. According to the OMB A-122 this is an allowable cost. Although not relevant, the Agency paid the consultant at a rate of \$2,500.00 per month instead of \$1,250.00 every two weeks. The consultant was not hired to audit the books of the Agency, therefore his civil matters were not relevant. The consultant provided us with evidence that the Board Order was reversed in part and remanded back to the Board in 2008. The consultant has provided us with documentation that he is eligible to apply for reinstatement of his certificate. Even without a CPA certificate, the consultant is qualified to serve in the capacity of a fiscal consultant.

Response to revocation comment.

The comments that “[w]e told the director that the Texas State Board of Public Accountancy had revoked the consultant's license in November 2004. The director said that she was unaware of the

revocation, that she would have ceased all business activities with the consultant if she had known, and that she would not continue working with him” have no place in this report. It serves to be inflammatory, irrelevant and makes the report burdensome and cumbersome. This statement seems to be bias due to the fact that there was no nexus to the separation of duties and other aspect of internal control. The consultant stated that a revocation does not revoke all the knowledge needed to obtain the original certificate.

It is implied, as was done on other occasions, that the consultant should have informed the executive director of all his civil proceedings. After further investigation I determined that the consultant was not employed in the capacity of an independent auditor therefore there was no requirement to be notified if a certificate was revoked, expired or suspended. During this period the consultant never used the designation “CPA” behind his name and the consultant never considered himself an accountant. I have viewed a redacted document whereas the consultant instructed his lawyer to publish the final resolution of the Texas State Board’s procedure that went all the way to the appellate courts in 2008. This satisfied notification if one was required. I have reviewed a document whereas the consultant is eligible to apply for reinstatement of his certificate.

According to the consultant he has an ongoing retainer with a law firm in Austin. The purpose of the retainer is to assure that he is constantly in compliance with all applicable rules and regulations.

### **Independent Auditor**

Advocates' independent auditor appeared to be compensated more than what was budgeted for FYs 2007 through 2009. Advocates budgeted audit fees for FYs 2007 through 2009 ranged from \$20,000 to \$26,000. However, the independent auditor signed a contract with Advocates in January 2007 for \$30,000 to conduct audit services each year during that same period. Advocates did not disclose audit fees expenses to its board of directors in an expenditures report for FYs 2007 and 2008. Moreover, Advocates incorrectly disclosed audit fee expenses of \$20,000 to its board in the expenditures report for FY 2009. According to Advocates' general ledger, the auditor was actually paid \$27,000 in FY 2009. Advocates recorded the auditor's fee in FY 2009 as a debit to an "other payables" account instead of recording the audit fee as an expense. As a result, the "other payables" account had an ending debit balance of \$27,000 at the end of FY 2009.

### **Response:**

The arrangement with the auditor should not have been classified as a questionable arrangement. The auditor had a bonafide contract to be paid at the rate of \$30,000.00 per year. The above statements only demonstrated that the fiscal officer failed to properly record the correct budgeted amount and to properly classify the audit cost in the general ledger. His competence to properly record accounting entries does not give rise to a weakness in internal control. At no time did any of the federal reviewers deem him as not being qualified.

### **Independent Auditor**

The independent auditor issued an unqualified opinion in her OMB Circular A-133 Single Audit Report of Advocates financial statements for FYs 2006 to 2008. In those same reports, the independent auditor identified no material weaknesses for internal controls over financial reporting. As a result, these reports did not disclose any of the financial reporting or internal control deficiencies discussed in this report.

### Response

The OIG claimed the scope of their review was for FY 2009. This period covers March 1, 2008 through February 28, 2009. For prior years the audit report reflected the correct balances. The audit report for the period ending February 28, 2009 was issued on November 24, 2009. Therefore the comments above are premature and the OIG cannot substitute their judgment for that of the auditor. The above comments by the OIG seem to imply that the auditor should have reached the same conclusion and made the same citation. Almost all of the OIG comments do not give rise to weaknesses in internal control.

The auditing standards performed by the auditor are more inclusive than that of the OIG. The staff of the OIG is employed by the government whereas as the independent auditor is not employed by the government nor the Agency as staff. The independent auditor must exercise objectivity whereas the Regional staff of the OIG was reporting to the Regional Office of the Department of Health and Human Services.

### RECOMMENDATION

ACF should consider the information presented in this report when assessing Advocates' financial condition and determining whether Advocates should be awarded additional Head Start and Recovery Act grant funding.

## RESPONSE TO RECOMMENDATION

The OIG did not present substantial evidence to support their claim that Advocates system of internal control was lacking pertaining to the safeguarding of HHS assets and resources. Ninety percent of the comments used to support their claims did not pertain to a breakdown in internal control but only served to create a distraction from the ones that might have had merit. Therefore the conclusion reached was capricious and arbitrary.

Report Number A-06-09-0005

Advocates for Children and Families, Inc.

Report Time: 13:09:56

General Ledger

Report Date: 07/11/09

For March, 2009 Through March, 2009

Page: 1

Account Code	Account Title / Description	FY	PD	Batch Number	Document Number	Date	Debit	Credit
1000	Cash in Bank - Non-Federal							
	Opening Balance						0.00	
	CORRECT ENTRIES	09	01	JE464A	JE464A	071009	952.52	
	CORRECT ENTRIES	09	01	JE464A	JE464A	071009		114,127.07
	CORRECT ENTRIES	09	01	JE465	JE465	071009	114,127.07	
	CORRECT ENTRIES	09	01	JE465	JB465	071009		952.52
	Transaction Totals						115,079.59	115,079.59
	Current Balance						0.00	
1010	Cash in Bank-HS							
	Opening Balance						361.17	
	REC GRANT#06CH0495/13 3/3/09	09	01	RR1318	01/13	030909	354,000.00	
	REC GRANT#06CH0495/13 3/9/09	09	01	RR1319	02/13	030909	76,000.00	
	REC GRANT#06CH0495/13 3/12/09	09	01	RR1321	03/13	031209	206,000.00	
	REC GRANT#06CH0495/13 3/26/09	09	01	RR1324	04/13	032709	107,000.00	
	TR2 DEP#1085 SNEED 2/24-25/09	09	01	RR1315	1085	030409	62.83	
	DEP#1086 OTTO PHONE REIMB	09	01	RR1315	1086	030409	0.25	
	LICENSING FEE TEXAS DEPT	09	01	AC6495	23132	022409		929.00
	CDA FOR MOLINA HILDA COUNCIL	09	01	AC6495	23133	022409		325.00
	CDA FOR ALVARADO REBECCA COUNC	09	01	AC6495	23134	022409		325.00
	HLTH/DNTL/VISION FEB 09 UNITED	09	01	AC6495	23135	022409		428.21
	HLTH/DNTL/VISION FEB 09 UNITED	09	01	AC6495	23135	022409		851.75
	HLTH/DNTL/VISION FEB 09 UNITED	09	01	AC6495	23135	022409		3,057.11
	HLTH/DNTL/VISION FEB 09 UNITED	09	01	AC6495	23135	022409		41,647.49
	LP#T79PXV RENEWAL VICTORIA TAX	09	01	AC6495	23136	022409		52.80
	LP#T17HHP RENEWAL VICTORIA TAX	09	01	AC6495	23137	022409		52.80
	TRANSFER HSP TO GEN ACT	09	01	AC6475	23139	030109		40,000.00
	PR#5 PPE 02/22/09 PYRLT TRNSF	09	01	AC6475	23140	030109		55,310.73
	TRANSFER HSP TO USDA ACT	09	01	AC6475	23141	030109		54,377.88
	PR#2 PPE 01/11/08 AMERICAN	09	01	AC6475	23142	030109		65.00
	PR#2 PPE 01/11/08 AMERICAN	09	01	AC6475	23142	030109		125.00
	PR#5 PPE 02/22/09 AMERICAN	09	01	AC6475	23143	030109		65.00
	PR#5 PPE 02/22/09 AMERICAN	09	01	AC6475	23143	030109		125.00
	PR#4 PPE 02/08/09 AMERICAN	09	01	AC6475	23144	030109		65.00
	PR#4 PPE 02/08/09 AMERICAN	09	01	AC6475	23144	030109		125.00
	CNTR #0191584870001 AT&T	09	01	AC6475	23145	030109		109.71
	PTLVCA #3615523048 AT&T	09	01	AC6475	23146	030109		33.26
	MAINT/REPAIR SRVCS B&E ROOTER	09	01	AC6475	23147	030109		110.00
	PARENT ACTIVITY BREAKTIME	09	01	AC6475	23148	030109		258.00
	REIMB AIRFARE 2/17/09 BRETT	09	01	AC6475	23149	030109		860.40
	BENEFICIARY SUPP BRETT	09	01	AC6475	23149	030109		10.52
	EQUIP MAINT CIT TEHNOLOGY	09	01	AC6475	23150	030109		568.38
	EDNA RENT FEB 09 COE	09	01	AC6475	23151	030109		300.00
	EDNA RENT MAR 09 COE	09	01	AC6475	23152	030109		300.00
	NIXON #28500 CITY UTILITIES	09	01	AC6475	23153	030109		79.58
	HLTSVLE #0313502 COH	09	01	AC6475	23154	030109		1,044.75
	TERRACE RENT MAR 09 COLLEGE	09	01	AC6475	23155	030109		5,000.00
	PTLVCA #12364300 COPL	09	01	AC6475	23156	030109		140.53
	DEPOT #004044401 COV	09	01	AC6475	23157	030109		175.92
	TRINITY #013013202 COV	09	01	AC6475	23158	030109		122.76
	TRINITY #013015002 COV	09	01	AC6475	23159	030109		47.43