March 24, 2011

TO: Yolanda J. Butler, Ph.D.
Acting Director
Office of Community Services
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 Opportunities, Inc. (A-06-10-00089)

The attached final report provides the results of our limited scope review at Opportunities, Inc. In accordance with the American Recovery and Reinvestment Act of 2009, the Office of Inspector General (OIG) will provide oversight of covered funds to prevent fraud, waste, and abuse.

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

If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. We look forward to receiving your final management decision within 6 months. Please refer to report number A-06-10-00089 in all correspondence.

Attachment

Department of Health & Human Services

OFFICE OF
INSPECTOR GENERAL

RESULTS OF LIMITED SCOPE REVIEW AT OPPORTUNITIES, INC.

Daniel R. Levinson
Inspector General

March 2011
A-06-10-00089

Office of Inspector General

http://oig.hhs.gov

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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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

The Community Services Block Grant (CSBG) program was authorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (the CSBG Act), P. L. No. 105-285, to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health & Human Services, the Administration for Children and Families (ACF), Office of Community Services, administers the CSBG program. The CSBG program funds a State-administered network of more than 1,000 local Community Action Agencies (CAA) that create, coordinate, and deliver programs and services to low-income Americans. The CAAs provide services and activities addressing employment, education, housing, nutrition, emergency services, health, and better use of available income.

Under The American Recovery and Reinvestment Act of 2009 (the Recovery Act), P.L. No. 111-5, enacted February 17, 2009, ACF received an additional $1 billion for the CSBG program to help States alleviate the causes and conditions of poverty in communities. States distribute CSBG Recovery Act grant funds to CAAs using the existing statutory formula.

The Oklahoma Department of Commerce (the State agency) acts as the lead agency in carrying out State activities for the CSBG program. The State agency is responsible for approving the State's CAA Recovery Act grant applications and monitoring the CAAs for compliance with program regulations. ACF awarded the State agency an additional $11,965,297 in Recovery Act funds for the State of Oklahoma's CSBG program.

Opportunities, Inc. (Opportunities), a private, nonprofit organization, provides a range of services related to the problems of poverty to 13 counties in northwestern Oklahoma. During fiscal year 2009, the State agency awarded Opportunities $408,170 in CSBG grant funds and $565,563 in Recovery Act grant funds. During the same period, Opportunities expended total Federal grant funds of $6,425,973.

OBJECTIVE

Our objective was to assess Opportunities' financial viability, capacity to manage and account for Federal funds, and ability to operate the CSBG program in accordance with Federal regulations.

SUMMARY OF FINDINGS

Opportunities has the ability to manage and account for Federal funds and is capable of operating a CSBG program in accordance with Federal regulations. However, Opportunities has weaknesses related to its use of funding for building improvements, allocation of labor costs, accounting system, board of directors composition, and maintenance of property records.

RECOMMENDATIONS

In determining whether Opportunities is appropriately managing and accounting for the Recovery Act grant funding and whether Opportunities has the ability to operate a CSBG program in accordance with Federal regulations, ACF should consider the information presented in this report. In addition, Opportunities should work with the State to address the weaknesses we found.

OPPORTUNITIES, INC., COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, Opportunities generally agreed with our findings and described actions it had taken to address them. In response to our finding that Opportunities did not have effective internal controls to adequately safeguard Federal funds in excess of FDIC limits, Opportunities provided support that its bank participated in the FDIC's Transaction Account Guarantee Program, which would have protected the funds. As a result, we removed that finding from our report. Opportunities' comments are included in their entirety as the Appendix.

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INTRODUCTION

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Community Services Block Grant Program

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Requirements for Federal Grantees

Pursuant to 45 CFR part 74, grantees of Federal awards must implement written accounting policies and procedures and maintain financial systems that provide for accurate and complete reporting of grant-related financial data, effective control over grant funds, and reasonable allocation of costs to all benefitting programs. In addition, grantees must establish written procurement procedures. Grantees also are required to maintain inventory control systems and periodically take a physical inventory of grant-related equipment. In addition, pursuant to 45 CFR § 74.27, the allowability of costs incurred by nonprofit organizations is determined in accordance with the provisions of Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to assess Opportunities' financial viability, capacity to manage and account for Federal funds, and ability to operate the CSBG program in accordance with Federal regulations.

Scope

We conducted a limited review of Opportunities' financial viability, financial management system, and related policies and procedures. Therefore, we did not perform an overall assessment of Opportunities' internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objectives. Our review period was October 1, 2006, through May 31, 2010.

We performed our fieldwork at Opportunities' administrative office in Watonga, Oklahoma, during June and July 2010.

Methodology

To accomplish our objective, we:

- confirmed that Opportunities is not excluded from receiving Federal funds;
- reviewed relevant Federal laws, regulations, and guidance;
- reviewed Opportunities' application for and use of Recovery Act grant awards;
- reviewed the findings related to the most recent State review of Opportunities;
- reviewed Opportunities' policies and procedures related to the CSBG program;
- reviewed Opportunities' bylaws, the minutes from its board of directors meetings, the composition of its board, and its organizational chart;
- performed audit steps to assess the adequacy of Opportunities' current financial systems; and
- reviewed Opportunities' audited financial statements and supporting documentation for the period October 1, 2006, through September 30, 2009.

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 RECOMMENDATIONS

Opportunities has the ability to manage and account for Federal funds and is capable of operating a CSBG program in accordance with Federal regulations. However, CSBG has weaknesses related to its use of funding for building improvements, allocation of labor costs, accounting system, board of directors composition, and maintenance of property records.

USE OF FUNDING FOR BUILDING IMPROVEMENTS

The Recovery Act provides funding to carry out activities under sections 674 to 679 of the CSBG Act. Section 678F of the CSBG Act states that unless the Secretary provides a waiver, grants may not be used for the permanent improvement of any building.

Opportunities used funds from its CSBG Recovery Act grant to make permanent improvements to a building leased for the Behavioral Care Services (BCS) program. The improvements included a concrete parking lot and sidewalk, a playground fence, and kitchen improvements. The parking lot and sidewalk cost $3,708. According to managers at the State agency and at Opportunities, Opportunities had not requested a waiver for improvements. In addition, both Opportunities and the landlord had the option of terminating the lease with 30 days advance notice. On July 30, 2010, Opportunities posted entries to the general ledger to charge unrestricted funds for the parking lot and sidewalk costs and remove the costs from the CSBG Recovery Act grant.

ALLOCATION OF LABOR COSTS

Pursuant to OMB Circular A-122, Attachment A, section A.4.a: "A cost is allocable to a particular cost objective, such as a grant, project, service or other activity, in accordance with the relative benefits received." In addition, section A.4.b, states: "Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies …."

Opportunities did not follow its policies and procedures for allocating labor costs. For example, according to Opportunities' allocation plan, the executive director's salary should have been allocated based on the number of employees in each program. For May 2010, the amount of the executive director's pay charged to the Head Start program varied slightly from the allocation plan; however, amounts charged to other programs varied more significantly from the plan. For example, the weatherization program was charged for 11.9 percent of the director's time, but the allocation was not included in the allocation plan. In addition, Opportunities did not allocate any time to the BCS program or the Retired Seniors Visitation Program even though the allocation plan showed that these programs should have been charged 8.3 percent and 0.9 percent, respectively.

For other employees, the number of hours allocated in the allocation plan to certain programs did not match the number of hours on the employees' time sheets. The time sheet for one employee showed that the employee had spent 34 hours on the BCS program and none on the weatherization program. However, Opportunities had allocated 30 hours of the employee's time to the weatherization program and no hours to the BCS program. Another employee's time sheet showed that the employee had spent 52 hours on Early Head Start, 30 hours on Head Start, and 60 hours on unspecified programs. Opportunities had allocated 100 percent of the employee's time to Head Start.

In addition, Opportunities did not have a policy to equitably allocate sick leave, annual leave, and holiday hours when an employee charged time to more than one program. For example, Opportunities allocated 100 percent of one employee's leave and holiday time to CSBG, though the employee's time sheet showed that 28 percent of the employee's time had been spent on the Child and Adult Food Care Program. The timesheet of another employee showed that the employee had spent 34 percent of her time on CSBG, 31 percent on the Retired and Senior Volunteer Program (RSVP), and 35 percent on unspecified programs. Opportunities allocated 50 percent of the employee's hours to the CSBG program and 50 percent to the RSVP program.

ACCOUNTING SYSTEM

Pursuant to 45 CFR § 74.21(b)(3), grantees must provide effective control over and accountability of all funds, property, and other assets to adequately safeguard all assets. Pursuant to 45 CFR § 74.21, grantees must maintain financial systems that provide for accurate and complete reporting of grant-related financial data.

Opportunities did not promptly record corrections for transactions posted in error. For example, the May 2010 bank account reconciliation for the payroll account included four 2009 bank deposits totaling $35,220 that were not made. In addition, the reconciliation for the accounts payable bank account showed that Opportunities had posted to the accounting system a single deposit twice on November 30, 2009, but had not posted a correcting entry for the duplicate deposit.

COMPOSITION OF THE BOARD OF DIRECTORS

Section 676B of the CSBG Act requires that all CSBG agencies administer the CSBG program through a tripartite board of directors that fully participates in the development, planning, implementation, and evaluation of the programs that serve low-income communities. The board of directors should be composed of one-third each of (1) elected public officials, (2) representatives of the beneficiaries in areas served by a CSBG, and (3) members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served. Pursuant to Opportunities' bylaws, the board was to have 18 directors.

Opportunities had 18 board of directors positions, but 2 private sector positions were vacant.

MAINTENANCE OF PROPERTY RECORDS

Pursuant to 45 CFR § 74.34(f), grantees are required to accurately maintain records for equipment acquired with Federal funds and to identify Federal ownership of equipment.

Opportunities did not maintain a complete property record. The receiving procedures Opportunities used did not ensure that the procurement officer received detailed property record information, such as serial numbers, for all information technology equipment. In addition, Opportunities purchased a refrigerator, a wall oven, a cook-top stove, two washers, and two dryers for $4,545 in April 2010 but did not include the appliances in its property records. Furthermore, Opportunities did not have a system for identifying Federal ownership of equipment and other purchases.

RECOMMENDATIONS

In determining whether Opportunities is appropriately managing and accounting for the Recovery Act grant funding, we recommend that ACF consider the information presented in this report in assessing Opportunities' ability to operate a CSBG program in accordance with Federal regulations. In addition, Opportunities should work with the State to address the weaknesses we found.

OPPORTUNITIES, INC., COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, Opportunities generally agreed with our findings and described actions it had taken to address them. In response to our finding that Opportunities did not have effective internal controls to adequately safeguard Federal funds in excess of FDIC limits, Opportunities provided support that its bank participated in the FDIC's Transaction Account Guarantee Program, which would have protected the funds. As a result, we removed that finding from our report. Opportunities' comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: OPPORTUNITIES, INC., COMMENTS

OPPORTUNITIES, INC.

community Action PARTNERSHIP
Helping People. Changing Lives.

117 WEST RUSSWORM • P.O. BOX 569 • WATONGA, OK 73772 • 580-623-7283 • FAX 580-623-7290

TERRY DUBBERLY,
EXECUTIVE
DIRECTOR

HEAD START &
HOMEBASED
HEAD START

RSVP
VITA

HOME
WEATHERIZATION

CSBG
OUTREACH

EMERGENCY
FOOD
&
SHELTER

BEHAVIORAL
CARE
SERVICES

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VILLAGE
APARTMENTS
HENNESSEY

HEARTLAND HOUSE
APARTMENTS
WOODWARD

HEARTLAND
ORIGINAL
APARTMENTS
GUYMON

RX FOR OKLAHOMA

For Information:
www.opportunities-inc.org

January 18, 2011

Patricia Wheeler, Regional Inspector General for Audit Services
Office of Audit Services, Region VI
1100 Commerce Street, Room 632
Dallas, TX 75242

Re: A-06-10-00089

Dear Ms. Wheeler,

We appreciate the opportunity of having John Retzloff and Major Wilson visit us recently and monitor our activity with the SCSBG grant. Your team's assistance, input and recommendations are an important piece of our agency's goal to impact the lives of our clients and communities in our 13 county service area.

Many of the recommendations had previously been identified in the ODOC monitoring visits and plans of action were in place to correct the items.

Below are the responses to the findings from the June 28th thru July 2nd visit.

Problem #1 –.Use of Funding for Building Improvements

Corrective Action #1 – These items were identified and entries made before the OIG team left to correct the items identified as improvements.

Problem #2 – Allocation of Labor Cost

Corrective Action #2 – The May 2010 labor distribution for the executive director did not reflect the agency's allocation plan. We are in the process of changing to a new timesheet system that is integrated into our accounting system so the change of error by the data entry person will be eliminated. Allocations to ensure correct distribution will be implemented into the system during set up.

"A COMMUNITY ACTION AGENCY"
PEOPLE HELPING PEOPLE

Problem #3- Accounting System

Corrective Action #3-We have discussed these issues with ODOC, Sage software, a Consultant, and our Auditor. We are currently working with Sage and our Auditor to fix the system issues associated with double entries. We have a Sage consultant scheduled to work with us the week of January 24^{th} to try to remedy our system issues. We hope to have all issues resolved after that week.

Problem #4-Safeguarding of Federal Funds

Corrective Action #4- We are getting information from our bank showing that during the time of this grant, the funds were insured. Information attached.

Problem #5-Composition of the Board of Directors

Corrective Action #5- As of January, 2011, Opportunities, Inc. has a full 18-member board of directors with equal representation from (1) elected public officials, (2) low-income communities/organizations, and (3) private citizens representing businesses and organizations within our communities served.

Problem #6-Maintenance of Property Records

Corrective Action #5- With SCSBG funds, we hired two employees to do a complete on-site check of all inventory. We have developed an online system to track and print labels for all equipment.

As always, we appreciate you and your staff. If you have any questions or concerns, please contact me or Susan Smith, Opportunities, Inc. Compliance Officer.

Sincerely,

Sally Jantz

Sally Jantz
Associate Executive Director

Cc: Sarah Rodefeld

Encl.

Rita Patel

From: Lori Osmus [redacted]
Sent: Tuesday, January 18, 2011 5:01 PM
To: Rita Patel

To Whom It May Concern:

The First State Bank of Watonga Oklahoma participated in the FDIC's Transaction Account Guarantee Program from its inception in 2008, through December 31, 2010, under which all noninterest-bearing transaction accounts were fully guaranteed by the FDIC for the entire amount in the account including low-interest NOW accounts with annual percentage rates as provided under the FDIC's Transaction Account Guarantee Program (.5% through June 30, 2010 .25% July 1, 2010 through December 31, 2010).

Lori Osmus
V.P. & Cashier