



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



March 1, 2012

TO: Jeannie Chaffin
Director, Office of Community Services
Administration for Children and Families

FROM: /Kay L. Daly/
Assistant Inspector General for Audit Services

SUBJECT: Review of Community Services Block Grant Costs for the Period October 1, 2007, Through September 30, 2010, Claimed for the Greater Lawrence Community Action Council, Inc. (A-01-11-02507)

Attached, for your information, is an advance copy of our final report to determine whether the Massachusetts Department of Housing and Community Development (State agency) claimed costs for the Greater Lawrence Community Action Council, Inc., that met the terms of the Community Services Block Grant, Recovery Act, and applicable Federal requirements. We will issue this report to the State agency within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me at (202) 619-1157 or through email at Kay.Daly@oig.hhs.gov, or your staff may contact Michael J. Armstrong, Regional Inspector General for Audit Services, at (617) 565-2689 or through email at Michael.Armstrong@oig.hhs.gov. Please refer to report number A-01-11-02507.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



March 2, 2012

Report Number: A-01-11-02507

Mr. Aaron Gornstein
Undersecretary
Massachusetts Department of Housing and Community Development
100 Cambridge Street, Suite 300
Boston, MA 02114

OFFICE OF AUDIT SERVICES, REGION I
JFK FEDERAL BUILDING
15 NEW SUBBURY STREET, ROOM 2425
BOSTON, MA 02203

Dear Mr. Gornstein:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Community Services Block Grant Costs for the Period October 1, 2007, Through September 30, 2010, Claimed for the Greater Lawrence Community Action Council, Inc.* We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

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

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. 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 call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through email at George.Nedder@oig.hhs.gov. Please refer to report number A-01-11-02507 in all correspondence.

Sincerely,

/Michael J. Armstrong/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Jeannie Chaffin
Director, Office of Community Services
Administration for Children and Families
6th Floor, Aerospace Building
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF COMMUNITY SERVICES
BLOCK GRANT COSTS FOR THE PERIOD
OCTOBER 1, 2007, THROUGH
SEPTEMBER 30, 2010, CLAIMED FOR THE
GREATER LAWRENCE COMMUNITY
ACTION COUNCIL, INC.**



Daniel R. Levinson
Inspector General

March 2012
A-01-11-02507

Office of Inspector General

<http://oig.hhs.gov>

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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 Opportunities, Accountability, and Training and Educational Services Act of 1998 (P.L. 105-285) authorized the Community Services Block Grant (CSBG) program to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health and 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. Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, ACF received an additional \$1 billion for the CSBG program for States to alleviate causes and conditions of poverty in communities. The CSBG Recovery Act program covers the period July 1, 2009, through September 30, 2010.

Federal regulations (45 CFR § 74.21(b)) require that each grantee's financial management system provides (1) accurate, current, and complete disclosure of the financial results of each program; (2) records that identify adequately the source and application of Federal funds; (3) effective control over and accountability for all funds, property, and other assets to ensure they are used solely for authorized purposes; (4) procedures for determining the reasonableness, allocability, and allowability of costs; and (5) accounting records that are supported by source documentation. In addition, pursuant to 2 CFR § 230, App. A, costs must be reasonable for the performance of the award and conform to any limitations set forth in the award; costs shared by multiple programs are allocable to an award in accordance with the relative benefits received.

The Massachusetts Department of Housing and Community Development (State agency) is the lead agency for the State's CSBG program. The State agency is responsible for approving the CSBG and CSBG Recovery Act program applications and monitoring CAAs for compliance. The State agency submits quarterly fiscal reports to ACF for the CSBG and CSBG Recovery Act programs based on quarterly expenditure information from CAAs.

Greater Lawrence Community Action Council, Inc. (GLCAC), is a nonprofit CAA that offers services to low-income families and individuals throughout the Greater Lawrence and lower Merrimack Valley area of Massachusetts. Our review covered \$1,576,601 in CSBG and CSBG Recovery Act program funds that the State agency claimed for GLCAC for the period October 1, 2007, through September 30, 2010.

OBJECTIVE

Our objective was to determine whether the State agency claimed costs for GLCAC that met the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements.

SUMMARY OF FINDINGS

Of the \$1,576,601 in State agency claims for GLCAC, we found that \$1,352,491 met the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements. However, the State agency's claims for GLCAC included \$148,144 for personal compensation that did not reflect actual activities performed, \$7,642 for building rent costs that were allocated incorrectly, and \$1,383 for tax-assistance consultant services to ineligible individuals.

As a result, the State agency overstated its claim to the CSBG and CSBG Recovery Act grants by a total of \$157,169.

In addition, the documentation from GLCAC was inadequate for us to determine whether \$66,941 in compensation, occupancy, and rent costs were allocated correctly under the terms of the grants and applicable Federal requirements. We are deferring the questionable allocation to the State agency to determine the correct allocation or make a financial adjustment to ACF.

These deficiencies occurred because GLCAC did not have adequate policies and procedures and related internal controls to ensure that it claimed costs that met the terms of the grants and applicable Federal requirements.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment to ACF of \$157,169 for GLCAC costs that did not meet the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements,
- work with GLCAC to determine the correct allocation for claims of \$66,941 identified in this report or make a financial adjustment to ACF, and
- ensure that GLCAC establishes policies, procedures, and related internal controls to:
 - comply with Federal requirements for timekeeping and payroll-distribution systems,
 - ensure that occupancy costs are supported by current space studies and allocated in accordance with generally accepted accounting principles (GAAP), and
 - ensure that only eligible clients receive services under the CSBG program.

GREATER LAWRENCE COMMUNITY ACTION COUNCIL, INC., COMMENTS

In written comments on our draft report, GLCAC concurred with our recommendations and outlined the corrective actions it is taking with the State agency. GLCAC's comments are included in their entirety as Appendix A.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and outlined steps for implementing our recommendations. The State agency's comments are included in their entirety as Appendix B.

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INTRODUCTION

BACKGROUND

Community Services Block Grant Program

The Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (P.L. 105-285) authorized the Community Services Block Grant (CSBG) program to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health and 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. CAAs provide services and activities addressing employment, education, housing, nutrition, emergency services, and the better use of available income.

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, ACF received an additional \$1 billion for the CSBG program for States to alleviate causes and conditions of poverty in communities. Under the Recovery Act, CSBG services may be expanded to those who are within 200 percent of the Federal poverty line (FPL). The CSBG Recovery Act program covers the period July 1, 2009, through September 30, 2010.

Federal Regulations

Federal regulations (45 CFR § 74.21(b)) require that each grantee's financial management system provides (1) accurate, current, and complete disclosure of the financial results of each program; (2) records that identify adequately the source and application of Federal funds; (3) effective control over and accountability for all funds, property, and other assets to ensure they are used solely for authorized purposes; (4) procedures for determining the reasonableness, allocability, and allowability of costs; and (5) accounting records that are supported by source documentation.

In addition, pursuant to 2 CFR § 230, App. A, 2, costs must be reasonable for the performance of the award and conform to any limitations set forth in the award. Costs shared by multiple programs are allocable to an award in accordance with the relative benefits received, pursuant to 2 CFR § 230, App. A, 4.

This review is part of a series of reviews planned by the Office of Inspector General to provide oversight of Recovery Act funds.

Massachusetts Department of Housing and Community Development

The Massachusetts Department of Housing and Community Development (State agency) is the lead agency for the State's CSBG program. The State agency is responsible for approving CSBG and CSBG Recovery Act program applications and monitoring CAAs for compliance.

The State agency receives Federal grant funds that it uses to pay for the costs of eligible CAA programs. ACF awarded the State agency with an additional \$24.9 million in CSBG Recovery Act funds. The State agency submits quarterly fiscal reports to ACF for the CSBG and CSBG Recovery Act programs based on quarterly expenditure information from CAAs.

Greater Lawrence Community Action Council, Inc.

Greater Lawrence Community Action Council, Inc. (GLCAC), is a nonprofit CAA organized to offer services to low-income families and individuals. The agency is funded primarily through Federal, State, and local grants. GLCAC also receives grant funds from private sources to supplement Federal and State funding. GLCAC's primary purpose is to operate numerous antipoverty, low-income assistance, and social service programs to serve individuals throughout the Greater Lawrence and lower Merrimack Valley area of Massachusetts. During fiscal years (FY) 2008 through 2010, the State agency awarded GLCAC with \$1,030,644 in CSBG grant funds and a CSBG Recovery Act grant totaling \$555,150 that covers the period July 1, 2009, through September 30, 2010.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed costs for GLCAC that met the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements.

Scope

We conducted a review of GLCAC's financial transactions and systems related the CSBG and CSBG Recovery Act programs and related policies and procedures. We did not perform an overall assessment of GLCAC's internal control structure. Therefore, we reviewed only the internal controls that pertained directly to our objective.

Our review covered \$1,576,601 in CSBG and CSBG Recovery Act program funds that the State agency claimed for GLCAC for the period October 1, 2007, through September 30, 2010.

We performed fieldwork at GLCAC's facility in Lawrence, Massachusetts, from May to November 2011.

Methodology

To accomplish our objective, we:

- reviewed Federal laws, regulations, and policy information for Federal grant awards and the CSBG program;

- reviewed and analyzed GLCAC's audited financial statements and audits conducted pursuant to OMB A-133 for FYs 2008, 2009, and 2010;
- reviewed GLCAC's bylaws, board of director meeting minutes, organization chart, financial policies and procedures, and human resource policies and procedures;
- reviewed GLCAC's chart of accounts and analyzed financial reports produced by GLCAC's accounting system;
- reviewed the State agency's report dated April 20, 2011, which included recommendations for corrective actions to be taken by GLCAC;
- judgmentally selected transactions (salaries and wages, fringe benefits costs, rent, occupancy costs, and consultant and other direct costs) to determine whether costs claimed were in accordance with Federal requirements and GLCAC's policies and procedures; and
- interviewed GLCAC's management, program, and financial staff.

We conducted our review 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

Of the \$1,576,601 in State agency claims for GLCAC, we found that \$1,352,491 met the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements. However, the State agency's claims for GLCAC included:

- \$148,144 for personal compensation costs that did not reflect actual activities performed,
- \$7,642 for building rent costs that were incorrectly allocated, and
- \$1,383 for tax-assistance consultant services to ineligible individuals.

In addition, the documentation from GLCAC was inadequate for us to determine whether \$66,941 in compensation, occupancy, and rent costs were allocated correctly under the terms of the grants and applicable Federal requirements. We are deferring the questionable allocation to the State agency to determine the correct allocation or make a financial adjustment to ACF.

These deficiencies occurred because GLCAC did not have adequate policies and procedures and related internal controls to ensure that it claimed costs that met the terms of the grants and applicable Federal requirements.

PERSONAL COMPENSATION

Federal Requirements

Pursuant to 2 CFR § 230, App. B, § 8.a., on the definition of compensation for personal services, “Compensation for personal services includes all compensation paid currently or accrued by the organization for services of employees rendered during the period of the award (except as otherwise provided in subparagraph 8.h. of this appendix). It includes, but is not limited to, salaries, wages ... incentive awards, fringe benefits, pension plan costs” Furthermore, section 8.b., on allowability, states: “Except as otherwise specifically provided in this paragraph, the costs of such compensation are allowable to the extent that total compensation to individual employees is reasonable for the services rendered”

Pursuant to 2 CFR § 230, App. A, § A.2, on allowability, allowable costs must be adequately documented. Furthermore, section A.4, on allocability, states that a cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received.

In addition, 2 CFR § 230, App. B, § 8.m., states that personnel activity reports or equivalent documentation must (1) reflect an after-the-fact distribution of the actual activity of each employee, (2) account for the total activity for which each employee is compensated, and (3) be signed by the employee or by a responsible supervisory official having firsthand knowledge of the activities performed.

Unallowable Compensation Costs

GLCAC submitted compensation costs to the State agency under the CSBG and CSBG Recovery Act grants that did not represent actual services rendered or the actual activities provided based on cost objectives. For four individuals, GLCAC submitted \$278,510 in costs for salaries, wages, related fringe benefits, and other costs. However, we reviewed supporting documentation provided by GLCAC and determined that \$148,144 of the claimed costs were unallowable or inadequately supported, including the following:

- For a grants manager, GLCAC submitted \$57,707 in costs that were not in accordance with the relative benefits received and did not reflect the after-the-fact distribution of the actual activity of this employee. These costs were claimed incorrectly as direct costs to the CSBG Recovery Act when they should have been claimed to an indirect cost pool.
- For an executive director, GLCAC submitted \$57,282 in costs that were not in accordance with the relative benefits received, were not reasonable for the services rendered, and did not reflect the after-the-fact distribution of the actual activity of this employee. GLCAC calculated this employee’s claimed compensation of \$110,972, for FYs 2008 through 2010, based on a 40-hour work week; however, according to GLCAC’s records, this employee worked approximately 50 percent of the time that was claimed.

- For a program coordinator, GLCAC submitted \$25,889 in costs that were not reasonable for the services rendered and did not reflect the after-the-fact distribution of the actual activity of this employee. GLCAC claimed 100 percent of this employee's salary of \$53,935, for FY 2010, to the CSBG Recovery Act program; however, we determined that 48 percent of this employee's time was associated with another nonprofit agency.
- For a MassHealth coordinator, GLCAC submitted \$7,266 in costs to the CSBG and CSBG Recovery Act that did not reflect the after-the-fact distribution of the actual activity of this employee. GLCAC could not support that the costs it claimed related to the CSBG programs.

In addition, the documentation from GLCAC was inadequate for us to determine whether the State agency correctly claimed \$52,351 in compensation for a housing coordinator under the terms of the CSBG Recovery Act and applicable Federal requirements. We are deferring the questionable allocation to the State agency to determine the correct allocation or make a financial adjustment to ACF.

Cause of Unallowable Compensation Costs

These deficiencies occurred because GLCAC did not have a timekeeping and payroll-distribution system or procedures that complied with Federal requirements. GLCAC's personnel activity reports or equivalent documentation did not (1) reflect an after-the-fact distribution of the actual activity of each employee, (2) account for the total activity for which each employee is compensated, and (3) include a signature by the employee or by a responsible supervisory official having firsthand knowledge of the activities performed.

As a result, the State agency claimed \$148,144 in costs for GLCAC that did not meet the terms of the grant awards or applicable Federal requirements.

RENT AND OCCUPANCY COSTS

Federal Requirements

Pursuant to 2 CFR § 230, App. A, pt. A.2., on allowability of costs, to be allowable under an award, costs must be determined in accordance with generally accepted accounting principles (GAAP) and adequately documented.

In addition, 2 CFR § 230, App. A, pt. 4, on allocable costs, states that a cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received.

Unallowable Rent Costs

For FY 2010, GLCAC submitted rent costs to the State agency under the CSBG Recovery Act that were not determined in accordance with GAAP or adequately documented. For one facility,

GLCAC submitted \$27,925 in rent costs. However, we determined that GLCAC overstated the percentage allocated to the CSBG program by approximately 27 percent or \$7,642.

In addition, the documentation from GLCAC was inadequate for us to determine whether the State agency correctly claimed \$14,590 in rent and occupancy costs for three facilities under the terms of the CSBG Recovery Act and applicable Federal requirements. We are deferring the questionable allocation to the State agency to determine the correct allocation or make a financial adjustment to ACF.

Cause of Unallowable Rent Costs

These deficiencies occurred because GLCAC did not have procedures to ensure that it adequately supported rent and occupancy costs by current space studies and that it equitably allocated rent and occupancy costs to all benefiting programs.

As a result, the State agency claimed \$7,642 in costs for GLCAC that did not meet the terms of the grant awards or applicable Federal requirements.

CONSULTANT COSTS

Federal Requirements

The Recovery Act, section 673(2), amended the CSBG Act to provide services during FYs 2009 and 2010 to families and individuals who are within 200 percent of the FPL.

Pursuant to Massachusetts General Laws 760.29.03, the State agency's approved CSBG State plan requires that each CAA conduct activities only within the cities and towns in its service area.

Unallowable Consultant Costs

Under the CSBG Recovery Act, GLCAC submitted to the State agency \$1,383 in costs for tax-assistance consulting services to ineligible individuals. GLCAC submitted \$7,681 in costs for 367 individuals or households that received the tax-assistance consulting services. However, we identified 67 cases (approximately 18 percent) that exceeded the CSBG Recovery Act's FPL limit or did not reside in the CAA's service area. Of the 67 ineligible cases, 51 had incomes that exceeded 200 percent of the FPL and 16 resided outside of GLCAC's service area.

Cause of Unallowable Consultant Costs

These deficiencies occurred because GLCAC did not have established procedures to screen for eligible CSBG clients.

As a result, the State agency claimed \$1,383 in costs for GLCAC that did not meet the terms of the grant awards or applicable Federal requirements.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment to ACF of \$157,169 for GLCAC costs that did not meet the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements,
- work with GLCAC to determine the correct allocation for claims of \$66,941 identified in this report or make a financial adjustment to ACF, and
- ensure that GLCAC establishes policies, procedures, and related internal controls to:
 - comply with Federal requirements for timekeeping and payroll-distribution systems,
 - ensure that occupancy costs are supported by current space studies and allocated in accordance with GAAP, and
 - ensure that only eligible clients receive services under the CSBG program.

GREATER LAWRENCE COMMUNITY ACTION COUNCIL, INC., COMMENTS

In written comments on our draft report, GLCAC concurred with our recommendations and outlined the corrective actions it is taking with the State agency. GLCAC's comments are included in their entirety as Appendix A.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and outlined steps for implementing our recommendations. The State agency's comments are included in their entirety as Appendix B.

APPENDIXES



Greater Lawrence Community Action Council, Inc.

ADMINISTRATION

305 Essex Street, Lawrence, Massachusetts 01840
 Telephone: (978) 681-4900 FAX: (978) 681-4949
 WEBSITE: www.glcac.org



Christian W. Dame,
 Interim Executive Director/CEO

BOARD OF DIRECTORS

DR. THOMAS S.
 PERRAULT, SR.
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Cheryl Ann Matthews
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NATALIE COON
 TREASURER

HELEN ANN KNEPPER
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January 13, 2012

Michael J. Armstrong
 Regional Inspector General for Audit Services
 Department of Health & Human Services
 Office of Inspector General
 Office of Audit Services, Region I
 John F. Kennedy Federal Building, Rm. 2425
 Boston, MA 02203

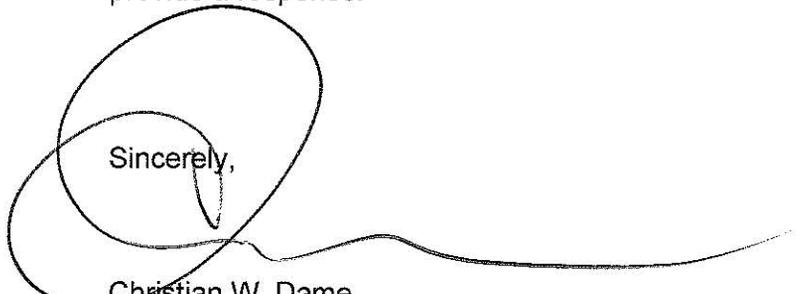
RE: GLCAC Inc. Response to Report Number: A-01-11-02507

Dear Mr. Armstrong:

Thank you for your letter of December 29, 2011 transmitting the Review of Community Service Block Grant Costs for the Period from October 1, 2007 through September 30, 2010 Claimed for the Greater Lawrence Community Action Council, Incorporated.

Attached please find our responses to your draft findings. Thank you for the opportunity to provide a response.

Sincerely,


 Christian W. Dame
 Interim Executive Director

Greater Lawrence Community Action Council, Inc.
Response to Report Number: A-01-11-02507

PERSONAL COMPENSATION

- 1) **Finding:** \$57, 707 for a Grants Manager charged as “direct cost” to CSBG Recovery Act when they should have been claimed to an indirect cost pool...

GLCAC Response: We concur with this finding.

Our Corrective Action Plan (CAP) for this finding is:

- a) to return \$57,707 in disallowed costs
- b) to shift \$57,707 in personnel costs to the Indirect Cost pool for the period in question; and
- c) commencing in December 2011, implement a time, attendance and grant allocation payroll system that accurately reports employee time expenditures by grant source, and adopt additional internal controls at the supervisory level to ensure that employee time charges to grant sources are accurately reported.

- 2) **Finding:** For an Executive Director \$57,282 in costs that were not in accordance with benefits received, and did not reflect after-the-fact distribution of actual activities...

GLCAC Response: We concur with this finding.

Our Corrective Action Plan (CAP) for this finding is:

- a) to return \$57,282 in disallowed Executive Director (ED) costs
- b) to continue the recently enacted practice of documenting to the Board of Directors the after-the-fact actual time spent by the ED on agency business

- 3) **Finding:** For a program coordinator \$25,889 in costs were not reasonable and did not reflect after-the-fact distribution of actual activities...48% of this employee’s time was associated with another nonprofit agency.

GLCAC Response: We concur with this finding.

Our Corrective Action Plan (CAP) for this finding is:

- a) GLCAC will return \$25,889 in disallowed costs

Greater Lawrence Community Action Council, Inc.
Response to Report Number: A-01-11-02507

- b) The corrective action that GLCAC has implemented on this matter is to discontinue serving as fiscal agent for the other nonprofit and to assure that the duties of the employee in question have no further association with this nonprofit.

4) Finding: For MassHealth \$7,266 in CSBG and CSBG Recovery Act costs did not reflect after-the-fact distribution of actual activities...

GLCAC Response: We concur with this finding.

Our Corrective Action Plan (CAP) for this finding is:

- a) GLCAC will return \$7,266 in disallowed costs

RENT AND OCCUPANCY COSTS

5) Finding: 1) GLCAC did not have current space studies to support rent and occupancy costs of \$7,642 and 2) it did not equitably allocate rent and occupancy costs to all benefiting programs

GLCAC Response: We concur with this finding.

Our Corrective Action Plan (CAP) for this finding is:

- a) GLCAC will return \$7,642 in disallowed costs
- b) In response to this finding GLCAC has completed a comprehensive space allocation study for all programs at all locations, adopted revised provisions to charge all programs space and occupancy cost to the extent they are allowable, and to cover all non-allowable costs with non-CSBG funding raised from other sources.

6) Finding: GLCAC submitted \$1,383 in cost for taxpayer assistance consulting services to 67 ineligible individuals – persons whose income exceeded 200 percent of the federal poverty level or who lived outside GLCAC's service area.

GLCAC Response: We concur with this finding.

Our Corrective Action Plan (CAP) for this finding is:

- a) GLCAC will return \$1,383 in disallowed costs
- b) As a corrective action GLCAC has suspended participation in the taxpayer assistance program

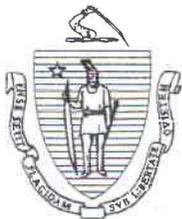
Greater Lawrence Community Action Council, Inc.
Response to Report Number: A-01-11-02507

RECOMMENDATIONS

GLCAC Response:

- 1) As described above GLCAC agrees to make a financial adjustment to DHCD of \$157,169 for the disallowed costs;
- 2) As directed GLCAC will work with ACF to determine the correct allocation for claims of \$66,991. Please advise as to the specific office and official with whom GLCAC should open discussions on these matters; and
- 3) As described above GLCAC has implemented a corrective action plan to address the identified policies and procedures:
 - a. GLCAC is implementing a revised timekeeping and payroll distribution system which fully meets federal requirements
 - b. GLCAC has completed a revised space study for all programs at all locations to ensure that occupancy costs are allocated in accordance with GAAP; and
 - c. GLCAC is developing new client income verification systems, including the Commonwealth's BECS system, to ensure that only eligible clients receive services under CSBG programs.

END



Commonwealth of Massachusetts
DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Aaron Gornstein, Undersecretary

Michael J. Armstrong
Regional Inspector General for Audit Services
Office of the Inspector General
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

Re: Response to Report Number: A-01-11-02507

Dear Mr. Armstrong:

The Department of Housing and Community Development (DHCD) is in receipt of the draft report entitled *Review of Community Service Block Grant Costs for the Period From October 1, 2007, Through September 30, 2010, Claimed for the Greater Lawrence Community Action Council, Inc.* (Report).

We appreciate the opportunity to respond. We are pleased that Greater Lawrence Community Action Council, Inc. (GLCAC) has concurred with your findings and has acknowledged a willingness to repay the Unallowable Costs identified in the Report. DHCD is in agreement with the recommendations in the Report and will seek repayment of those costs from GLCAC in order to make the appropriate financial adjustments to the Federal Administration for Children and Families (ACF).

In response to the recommendations, we offer the following:

Recommendation #1: Make a financial adjustment to ACF of \$157,169 for GLCAC costs that did not meet the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements.

Response: DHCD concurs with this recommendation, and will seek repayment from GLCAC in the amount of \$157,169, an amount GLCAC has already agreed to return to DHCD. With the returned funds, DHCD will make the appropriate financial adjustment.

Recommendation #2: Work with GLCAC to determine the correct allocation for claims of \$66,991 identified in the Report or make a financial adjustment to ACF.

Response: DHCD concurs with this recommendation and upon the determination of the correct allocation for claims of \$66,991 will seek repayment from GLCAC in the appropriate amount, as

already agreed to by GLCAC. With the returned funds, DHCD will make the appropriate financial adjustment.

Recommendation #3: Ensure that GLCAC establishes policies, procedures, and related internal controls to: comply with Federal requirements for timekeeping and payroll-distribution systems, ensure that occupancy costs are supported by current space studies and allocated in accordance with generally accepted accounting principles (GAAP), and ensure that only eligible clients receive services under the CSBG program.

Response: DHCD concurs with this recommendation. In March 2011, DHCD conducted an investigation and risk management assessment of GLCAC and identified the need to implement policies and procedures, related internal controls, and other measures to ensure the integrity of GLCAC as a designated eligible entity as well as an administrator of CSBG funds. As of today's date, GLCAC has satisfactorily completed 30 of the 40 recommendations cited in DHCD's investigative report, and work on the remaining 10 items is underway with assigned completion dates.

As a result of the mutual collaboration of organizations such as the Northeast Institute for Quality Community Assistance (NIQCA), and the Massachusetts Association for Community Action (MASSCAP), DHCD is encouraged by GLCAC's efforts to establish best practices, and its progress in instituting policies and procedures that will ensure GLCAC operates in full compliance with State and Federal requirements.

In closing, I would like to thank you for the opportunity to address the findings of your investigation. DHCD will continue to monitor the transition of GLCAC closely; we anticipate a more stable board and executive leadership, which will ensure that CSBG funding is properly administered and that appropriate services are provided to eligible families and individuals in the covered communities.

Sincerely,



Aaron Gornstein
Undersecretary