

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AGRICULTURE AND LABOR PROGRAM,
INC., DID NOT ALWAYS CHARGE
ALLOWABLE COSTS TO THE COMMUNITY
SERVICES BLOCK GRANT – RECOVERY
ACT PROGRAM**

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Lori S. Pilcher
Regional Inspector General

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A-04-11-01010

Office of Inspector General

<https://oig.hhs.gov>

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EXECUTIVE SUMMARY

BACKGROUND

The Community Services Block Grant (CSBG) program was authorized by the Omnibus Reconciliation Act of 1981, P.L. 97-35, (as amended in 1998 by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. No. 105-285) (the CSBG Act), to provide funds to alleviate 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. The CAAs provide services and activities addressing employment, education, housing, nutrition, emergency services, health, and better use of available income. The CSBG program awarded \$620 million in fiscal year (FY) 2007, \$643 million in FY 2008, \$1.7 billion in FY 2009, and \$689 million in FY 2010.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, provided an additional \$1 billion to ACF for the CSBG program. Recovery Act funds for the CSBG program were distributed to CAAs using an existing statutory formula. The primary objective of the funds was to provide assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduction of poverty, revitalization of low-income communities, and empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

Section 676(a) of the CSBG Act requires each State to designate an appropriate State agency to act as the lead agency for carrying out the State's CSBG activities. Florida's Department of Community Affairs (the State) acted as the lead agency to carry out State activities for the CSBG program. The State is responsible for approving CAA Recovery Act grant applications and monitoring CAAs for compliance with program requirements. The State received \$29,060,460 in Recovery Act funds for the State of Florida's CSBG program.

Agricultural and Labor Program, Inc. (the Agency), a private, nonprofit organization, provides services to households throughout Highlands and Polk counties in Florida. During FY 2009, the State awarded the Agency \$1,099,519 in CSBG grant funds and \$1,471,687 in CSBG Recovery Act funds for the period July 1, 2009, through September 30, 2010.

OBJECTIVE

Our objective was to determine whether selected CSBG costs that the State claimed for the Agency's program expenditures were allowable under the terms of the Recovery Act grant and applicable Federal regulations.

SUMMARY OF FINDINGS

Of the \$357,155 in CSBG costs that the State claimed on behalf of the Agency and that we reviewed, \$298,718 was allowable under the terms of the grant and applicable Federal regulations. However, the State claimed \$36,142 in unallowable costs (or 10 percent of reviewed expenditures) on behalf of the Agency, including:

- \$32,024 in costs that was inadequately documented and
- \$4,118 in costs that was not allocable to the Recovery Act grant.

The State also claimed \$22,295 in costs (or 6 percent of reviewed expenditures) that may not have been allocable to the Recovery Act grant and thus was potentially unallowable. The unallowable costs the State claimed on behalf of the Agency occurred because its policies and procedures were inadequate to ensure that costs were always adequately documented. Furthermore, the Agency did not have adequate policies and procedures in place to ensure costs charged to Federal awards were allocable. The potentially unallowable costs that the State claimed on behalf of the Agency occurred because the Agency did not follow its cost allocation plan.

Because the Agency charged unallowable costs to the Recovery Act grant, the funds could not be used to reduce poverty, revitalize low income communities, and empower individuals to become fully self-sufficient.

RECOMMENDATIONS

We recommend that the State:

- return to the Federal Government unallowable costs totaling \$36,142,
- either return to the Federal government \$22,295 or work with the Agency to determine what portion of the \$22,295 was allocable to the Recovery Act grant,
- ensure that the Agency improves its policies and procedures to ensure that only allocable costs are charged to Federal awards and that all costs charged to Federal awards are adequately documented, and
- ensure that the Agency follows its cost allocation plan when applicable.

AGENCY COMMENTS

The Agency concurred, in part, with our findings and recommendations. Regarding our first finding, the Agency stated that, based on its review of available documentation and following its cost allocation plan, \$24,992 of the identified costs directly benefitted the Recovery Act grant and was reasonable, allowable, and allocable. The Agency concurred that the remaining \$11,150

was unallowable due to timing and human error. It stated that it would review its current cost allocation plan to determine whether it should make any changes.

Regarding our second finding, the Agency believed that the \$22,295 in costs identified as potentially unallowable were reasonable, allowable, and allocable in accordance with its cost allocation plan; however, the Agency stated that it would work with the State to document those costs.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that the State claimed on behalf of the Agency \$36,142 in unallowable costs and \$22,295 in costs that may not have been allocable to the Recovery Act grant.

The Agency did not provide adequate documentation, such as invoices and purchase requisitions, to support the costs we identified as unallowable. Instead, it provided spreadsheets showing how costs were allocated between its CSBG and Recovery Act grants on a percentage basis. This documentation alone was not adequate to support that the costs were allowable to the Recovery Act grant.

STATE COMMENTS

In response to our draft report, the State acknowledged that some unallowable costs had been charged but did not concur with the majority of the unallowable costs and potentially unallowable costs we identified.

The State concurred that the Agency made unallowable charges to the Recovery Act grant of \$4,887. For the remaining \$31,255 in unallowable costs and \$22,295 in potentially unallowable costs, the State believed that Agency documentation justified most of the questioned items and requested that we review this documentation.

Nonetheless, the State said that it planned to visit the Agency to ensure that it improved its policies and procedures for allocating and documenting costs charged to Federal awards.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that the Agency charged \$36,142 in unallowable costs and \$22,295 in potentially unallowable costs to the Recovery Act grant. Based on our analysis of the additional information that the State provided with its comments on our draft report, we reduced the potentially unallowable costs from \$41,396 to \$22,295.

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INTRODUCTION

BACKGROUND

Community Services Block Grant Program

The Community Services Block Grant (CSBG) program was authorized by the Omnibus Reconciliation Act of 1981, P.L. 97-35, (as amended in 1998 by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. No. 105-285) (the CSBG Act), to provide funds to alleviate 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. The CAAs provide services and activities addressing employment, education, housing, nutrition, emergency services, health, and better use of available income. The CSBG program awarded \$620 million in fiscal year (FY) 2007, \$643 million in FY 2008, \$1.7 billion in FY 2009, and \$689 million in FY 2010.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, provided an additional \$1 billion to ACF for the CSBG program. Recovery Act funds for the CSBG program were distributed to CAAs using an existing statutory formula. The primary objective of the funds was to provide assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduction of poverty, revitalization of low-income communities, and empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

Florida Department of Community Affairs

Section 676(a) of the CSBG Act requires each State to designate an appropriate State agency to act as the lead agency for carrying out the State's CSBG activities. Florida's Department of Community Affairs (the State) acted as the lead agency to carry out State activities for the CSBG program.¹ The State is responsible for approving CAA Recovery Act grant applications and monitoring CAAs for compliance with program requirements. The State received \$29,060,460 in Recovery Act funds for the State of Florida's CSBG program.

Agricultural and Labor Program, Inc.

Agricultural and Labor Program, Inc. (the Agency), a private, nonprofit organization, provides services to households throughout Highlands and Polk counties in Florida. During FY 2009, the

¹ During our audit period, the Florida Department of Community Affairs oversaw the CSBG program. However, the CSBG program is now administered by the Department of Economic Opportunity.

State awarded the Agency \$1,099,519 in CSBG grant funds and \$1,471,687 in CSBG Recovery Act funds for the period July 1, 2009, through September 30, 2010.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether selected CSBG costs that the State claimed for the Agency's program expenditures were allowable under the terms of the Recovery Act grant and applicable Federal regulations.

Scope

We reviewed \$357,155 of the \$1,471,391² claimed by the Agency under its CSBG Recovery Act agreement with the State of Florida for the period of July 1, 2009, through September 30, 2010. This review is part of a series of audits planned by the Office of Inspector General to provide oversight of funds provided by the Recovery Act. We did not perform an overall assessment of the Agency's internal control structure. Rather, we reviewed only the internal controls that pertained to our objective.

We performed fieldwork at the Agency's administrative office in Lake Alfred, Florida.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal requirements;
- confirmed that the Agency was not excluded from receiving Federal funds;
- reviewed the terms and conditions of the Agency's CSBG Recovery Act grant;
- reviewed the Agency's policies and procedures applicable to the CSBG program;
- reviewed the Agency's cost allocation plan;
- reviewed the minutes from the Agency's board of directors meetings and reviewed the Agency's organizational chart;

² Although the Agency's CSBG Recovery Act grant award totaled \$1,471,687, the Agency only expended \$1,471,391 of that amount.

- reviewed the Agency’s annual Office of Management and Budget (OMB) Circular A-133³ audit reports for FYs 2008 through 2010;
- reconciled the Agency’s CSBG Recovery Act financial status report for the year ended September 30, 2010, to its accounting records;
- judgmentally selected 136 transactions totaling \$133,710 (30 salary transactions totaling \$19,396 and 106 nonsalary transactions totaling \$114,314) based on risk factors including whether the transactions:
 - were high dollar,
 - were for items usually considered unallowable (e.g., entertainment, memberships, etc.),
 - were recorded near the end of the grant period or outside of the grant period, or
 - appeared to be disproportionately allocated to the CSBG Recovery Act grant;
- reviewed sub-recipient costs totaling \$223,445; and
- discussed findings with Agency officials.

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

Of the \$357,155 in CSBG costs that the State claimed on behalf of the Agency and that we reviewed, \$279,617 was allowable under the terms of the grant and applicable Federal regulations. However, the State claimed \$36,142 in unallowable costs (or 10 percent of reviewed expenditures) on behalf of the Agency, including:

- \$32,024 in costs that was inadequately documented and
- \$4,118 in costs that was not allocable to the Recovery Act grant.

The State also claimed \$22,295 in costs (or 6 percent of reviewed expenditures) that may not have been allocable to the Recovery Act grant and thus were potentially unallowable. The

³ Per OMB Circular A-133, §__.200(a) non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year.

unallowable costs the State claimed on behalf of the Agency occurred because its policies and procedures were inadequate to ensure that costs were always adequately documented. Furthermore, the Agency did not have adequate policies and procedures in place to ensure costs charged to Federal awards were allocable. The potentially unallowable costs the State claimed on behalf of the Agency occurred because the Agency did not follow its cost allocation plan.

Because the Agency charged unallowable costs to the Recovery Act grant, the funds could not be used to reduce poverty, revitalize low income communities, and empower individuals to become fully self-sufficient.

UNALLOWABLE COSTS

Federal Requirements

Section 678D(a)(1)(B) of the CSBG Act requires that States that receive CSBG funds ensure that cost and accounting standards of the OMB apply to a recipient of the funds under the subtitle. As a result, ACF determined that non-profit Community Action Agencies are subject to 45 CFR pt. 74. Federal regulations (45 CFR 74.27(a)) state that the allowability of costs for non-profit organizations will be determined in accordance with 2 CFR pt. 230 (formerly OMB Circular A-122), *Cost Principles for Non-Profit Organizations*.

To be allowable under a Federal award, costs must be reasonable, allocable, and adequately documented (2 CFR pt. 230, App. A, A.2.a. and A.2.g.). Specifically, 2 CFR 230, App. A, A.4.a. states, “[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.” A cost that benefits both a Federal award and other work is allocable to a Federal award if the cost can be distributed in reasonable proportion to the benefits received. Any cost allocable to a particular award or other cost objective may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by terms of the award (2 CFR pt. 230, App. A, § A.4).

Recipients of Federal funds must develop written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award (45 CFR § 74.21(b)(6)).

Costs Inadequately Documented

The Agency did not adequately document \$32,024 in costs charged to the Recovery Act grant. The costs included certain supplies, training, travel, data communications, telephone, and utilities costs. The Agency did not provide receipts or justification reflecting how the costs benefitted the CSBG program.

For example, the Agency transferred \$19,000 (\$9,000 for utilities, \$8,000 for telephone and data communications, and \$2,000 for office supplies) in costs from the regular CSBG program to the

Recovery Act grant but could not provide documentation of specific costs associated with the transfers.

The Agency also transferred \$3,691 in catering services and speaker fees for a leadership retreat to the Recovery Act grant on the last day of the Recovery Act grant period (September 30, 2010). The costs had been previously charged to the Agency's general fund. The transfer was only supported by a journal entry which did not indicate why the transfer was made. Without adequate support, there is no assurance the costs were for the benefit of the Recovery Act grant.

The Agency charged \$8,870 in equipment costs in the final two days of the grant period without documentation to indicate the purpose or need for the purchases. The charges included \$4,073 for travel scanners and mobile printers, \$2,684 for office furniture, and \$2,114 for computers. In response to inquiries regarding the need for these items, the Agency stated that it purchased the computers, scanners, and printers to enhance the Agency's capacity to access applicable record keeping and tracking data resulting from job placement assistance and follow-up activities. The Agency stated that it purchased the office furniture to enhance capacity to oversee and close out the Recovery Act grant.

The Agency paid for expenditures that were missing some or all of the required documentation because it did not follow its policies and procedures. Its policies and procedures required that transactions be supported with adequate documentation including, but not limited to, purchase orders, receiving reports, invoices, canceled checks, bank statements, receipt books, in-kind vouchers, timesheets, travel reports, contracts, lease agreements, minutes of meetings, grant packages, personnel action forms, personnel policies, responses to bid invitations, and tax reports.

Costs Not Allocable

The Agency charged \$4,118 in costs that were not allocable to the Recovery Act grant. Of the charges to the Recovery Act grant:

- \$2,313 was for travel and training costs for individuals who did not charge time to the grant,
- \$1,626 was for costs incurred outside of the grant period, and
- \$179 was for costs that benefitted other programs.

Travel and Training Costs for an Individual Who Did Not Charge Time to the Grant

The Agency charged \$2,313 for the travel and training costs of two employees who did not charge time to the Recovery Act grant. The costs included travel, lodging, and registration fees.

Costs Incurred Outside the Recovery Act Budget Period

The Agency charged \$1,626 in costs to the Recovery Act grant that was incurred outside the budget period of July 1, 2009, through September 30, 2010. The costs included travel and training costs for a conference in October 2010.

Costs Benefitted Other Programs

The Agency charged \$179 in travel costs to the Recovery Act grant that benefitted other programs, including \$118 in costs for the Low Income Home Energy Assistance Program, \$40 in costs for the Early Head Start Program, and \$21 in costs for a Florida Department of Education Coordinator's Meeting.

Inadequate Policies and Procedures

The Agency charged costs that were not allocable to the Recovery Act grant because its policies and procedures were inadequate to ensure that only allocable costs were charged. While the *Agency's Fiscal Management Policies and Procedures Manual* addressed the need to "ensure each program ... pay[s] only its fair share of ... cost" and that "no program ... subsidiz[es] another," the Manual does not specify how this will be accomplished on a consistent basis. Instead, it stated simply that the Agency will use "logical and rational methods." As a result, the Agency charged costs that were not allocable to the Recovery Act grant including travel and training costs for employees who did not charge time to the grant, costs incurred outside of the grant period, and costs that benefitted other programs.

Costs Potentially Not Allocable

The Agency allocated \$22,295 in certain costs benefitting multiple programs to the Recovery Act grant that may not have been allocable to that award. The Agency established rates for direct charges to its programs at each location at which it provided services. The rates were based on the Agency's cost allocation plan, which stated that costs that benefitted multiple Agency programs would be allocated on the basis of the number of employees working on the program compared to the total number of employees. However, the documentation provided did not include an established rate for the Recovery Act grant. Instead, the Agency charged 50, 75, or 100 percent of certain costs that benefitted multiple programs to the Recovery Act grant.

For example, the Agency charged \$2,482 (representing 100 percent of the costs) for travel costs for an employee who charged her time to multiple programs. Moreover, the travel included attendance at two conferences that were not specific to the Recovery Act. Without supporting documentation, we could not determine whether the costs were allocated to the Recovery Act grant in reasonable proportion to the benefits received. Therefore, we cannot determine whether the \$22,295 that the Agency charged to the Recovery Act grant was allowable.

While the Agency had developed a cost allocation plan, it did not always follow the methods of allocating certain items of cost as described in the plan. As a result, the Agency charged some costs that may not have been allocable to the Recovery Act grant.

Unallowable Costs Limited Resources for Program Goals

Because the Agency charged unallowable costs, the Agency could not use the funds to reduce poverty, revitalize low-income communities, or empower individuals to become fully self-sufficient.

RECOMMENDATIONS

We recommend that the State:

- return to the Federal Government unallowable costs totaling \$36,142,
- either return to the Federal government \$22,295 or work with the Agency to determine what portion of the \$22,295 was allocable to the Recovery Act grant,
- ensure that the Agency improves its policies and procedures to ensure that only allocable costs are charged to Federal awards and that all costs charged to Federal awards are adequately documented, and
- ensure that the Agency follows its cost allocation plan when applicable.

AGENCY COMMENTS

The Agency concurred, in part, with our findings and recommendations. Regarding our first finding, the Agency stated that, based on its review of available documentation and following its cost allocation plan, \$24,992 of the identified costs directly benefitted the Recovery Act grant and was reasonable, allowable, and allocable. The Agency concurred that the remaining \$11,150 was unallowable due to timing and human error. It stated that it would review its current cost allocation plan to determine whether it should make any changes.

Regarding our second finding, the Agency believed that the \$22,295 in costs identified as potentially unallowable were reasonable, allowable, and allocable in accordance with its cost allocation plan; however, the Agency stated that it would work with the State to document those costs.

The complete text of the Agency's comments is included as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that the State claimed on behalf of the Agency \$36,142 in unallowable costs and \$22,295 in costs that may not have been allocable to the Recovery Act grant.

The Agency did not provide adequate documentation, such as invoices and purchase requisitions, to support the costs we identified as unallowable. Instead, it provided spreadsheets showing how costs were allocated between its CSBG and Recovery Act grants on a percentage basis. This documentation alone was not adequate to support that the costs were allowable to the Recovery Act grant.

STATE COMMENTS

In response to our draft report, the State acknowledged that some unallowable costs had been charged but did not concur with the majority of the unallowable costs and potentially unallowable costs we identified.

The State concurred that the Agency made unallowable charges to the Recovery Act grant of \$4,887. For the remaining \$31,255 in unallowable costs and \$22,295 in potentially unallowable costs we identified, the State requested that we review documentation the Agency provided to the State. The State believed this documentation justified most of the questioned items. The documentation included support for travel expenses; expenses related to a summer program; and expenses for office supplies, telephones, utilities, and equipment allocated to the Recovery Act grant based on the Agency's cost allocation plan.

The State said that it planned to visit the Agency to ensure that it improved its policies and procedures for allocating and documenting costs charged to Federal awards. Through Agency monitoring, the State said that it would ensure that the Agency followed its cost allocation plan and supported costs with adequate documentation.

The complete text of the State's response is included as Appendix B. The additional Agency documentation provided by the State is not included.

OFFICE OF INSPECTOR GENERAL RESPONSE

Based on our analysis of the additional information that the State provided with its comments on our draft report, we reduced the potentially unallowable costs from \$41,396 to \$22,295; however, we hold that the remaining \$31,255 was unallowable and \$22,295 was potentially unallowable.

For the costs we had identified as unallowable, the Agency provided documentation and stated that the costs had been originally charged entirely to its CSBG grant. The Agency stated that, because the Recovery Act grant had received little or none of the costs, it transferred some of the costs to the Recovery Act grant. However, the documentation did not show that the transferred costs were incurred specifically for the Recovery Act grant.

For costs we identified as potentially unallowable, the Agency's documentation provided additional supporting documentation; however, the documentation did not show that the costs benefitted both grants and were distributed in reasonable proportion to the benefits received or

that the costs had been treated consistently with other similar costs. Thus, we maintain that these costs may not have been allocable to the Recovery Act grant and therefore were potentially not allowable.

APPENDIXES

APPENDIX A: AGENCY COMMENTS

September 10, 2012

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Chief Executive Officer

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**ADMINISTRATION AND PROGRAM
OPERATIONS SERVICES DIVISION**

ADMINISTRATION SERVICES
Budget & Finance
Human Resources
Operations and Quality Control
IT/Computer Support & Marketing

**COMMUNITY & ECONOMIC
DEVELOPMENT SERVICES DIVISION**

CSBG Services

Service Areas: Highlands and Polk
Counties

Farmworker Emergency Services
Service Areas: Statewide

LIHEAP Services
Service Areas: Collier, Glades, Hardee,
Hendry, Highlands, Martin, Polk &
St. Lucie Counties

Housing Counseling Services
Service Area: Polk County

Training and Employment Services
Service Area: Volusia County

ALPI Technical Education Center
Service Area: Volusia County

**CHILD DEVELOPMENT &
FAMILY SERVICES DIVISION**

Head Start Services
Service Areas: Polk (Frostproof) and
St. Lucie Counties

Early Head Start Services
Service Areas: Polk and St. Lucie Counties

Child Care
Service Areas: Polk and St. Lucie Counties

Child Care Food
Service Areas: Polk (Frostproof) and
St. Lucie Counties

Eastern Region Administration Office:
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Dept. of Health and Human Services
Office of Inspector General
Office of Audit Services, Region IV
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Re: Report #A-04-11-01010

Dear Ms. Pilcher:

Thank you for the opportunity to respond to the above referenced report. I have reviewed the report with my Finance and CSBG/ARRA Program Senior Management staff and hereby submit my response to the OIG recommendations outlined in the "draft" report for your review and consideration.

1. OIG Recommendation: Return ... unallowable costs totaling \$36,142.

ALPI Response: ALPI does not concur with the recommendation that \$36,142 be returned to the Federal Government. Most of the identified costs directly benefitted the CSBG/ARRA Program and were reasonable, allowable, and allocable. ALPI's Cost Allocation Plan provides that "Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated". Based on ALPI's review of available documentation and following the identified Cost Allocation Plan, a total of \$24,991.67 is readily identifiable as reasonable, allowable and allocable. The balance of \$11,150.33 may be deemed unallowable or unallocable due to timing and human errors.

- In accordance with ALPI's Cost Allocation Plan, travel costs are allocated based on purpose of travel and/or "ratio of each program's number of employees", as applicable. A review of travel documentation indicated that much of the travel was directly related to the Summer Work Experience Program and Professional Development directly related to employment/training programs for a total of \$3,334.57 in travel costs. Office supplies and equipment that benefit more than one program should be "...allocated to those programs based on the ratio of each program's number of employees..." Using this allocation method, \$5,375.26 as opposed to the \$2,000.00 charged, should have been allocated to the CSBG/ARRA Program.
- For the identified utilities costs, the "most appropriate" base is the ratio of CSBG to CSBG/ARRA employees. Applying such a base, ALPI should have charged a total of \$7,373.00 to the CSBG/ARRA Program. Per ALPI's Plan, Telephone/Communication costs "... that benefit more than one program will be allocated ... based on the ratio of each program's number of employees ..." Using such a base, the identified telephone and data communications cost should have been \$3,280.56 and \$5,103.07, respectively.

PROGRAMS AND SERVICES ARE FUNDED IN PART BY:



City of Ft. Pierce, County of St. Lucie, Department of Education, Adult Migrant Division, Florida Department of Health, Early Learning Coalition of Polk County, Florida Non-Profit Housing, Inc., Polk County School Board, St. Lucie County School Board, Children's Services Council of St. Lucie County, Florida Housing Finance Corporation and Early Learning Coalition of St. Lucie County, Inc.

THE AGRICULTURAL AND LABOR PROGRAM, INC. — PROVIDING A CONSTANT FLOW OF COMMUNITY SERVICES SINCE 1968
AN EQUAL OPPORTUNITY EMPLOYER

- In-Service Training is an intricate part of ALPI's operation of program. Using ALPI's Cost Allocation Plan, \$525.21 in In-Service Training costs were reasonable, allowable, and allocable to the CSBG/ARRA Program

It must be noted that, during the period of May 2010 through September of 2010, ALPI only operated the CSBG/ARRA Summer Youth Work Experience Program in Lakeview Park and Frostproof. Accordingly, such costs were readily identifiable to the CSBG/ARRA program and should have been charged at a rate of 100%. Those costs are included in the amounts identified above.

ALPI Action to be taken: ALPI will review its current Cost Allocation Plan to determine the necessity for any changes and/or modifications that would better allow for appropriate documentation. Additionally, if a requirement of Circular A-133 is that travel costs benefitting more than one program should be prorated, ALPI will include such changes in its Cost Allocation Plan.

2. **OIG Recommendation:** "either return \$41,396 or work with the Agency to determine what portion of the \$41,396 was allocable to the Recovery Act grant."

ALPI Response: ALPI does not concur with the recommendation to return \$41,396. It is ALPI's opinion that all identified costs were reasonable, allowable, and allocable in accordance with ALPI's Cost Allocation Plan. ALPI does concur with the recommendation to work with the State (FDCA, now Florida Department of Economic Opportunity) in documenting the costs in accordance with ALPI's Plan.

ALPI Action to be taken: In addition to working closely with the State, ALPI will review its current Financial Procedures to ensure that when costs are prorated, said costs are correctly charged in accordance with ALPI's Cost Allocation Plan.

3. **OIG Recommendation:** "ensure that Agency improves its policies and procedures ...that all costs are adequately documented."

ALPI Response: ALPI concurs with this recommendation.

ALPI Action to be taken: ALPI will work closely with the State to ensure that ALPI's policies and procedures fully comply with the requirements of Circular A-133 as applicable.

4. **OIG Recommendation:** "ensure that the Agency follows its cost allocation plan when applicable."

ALPI Response: ALPI concurs with this recommendation as outlined above.

ALPI Action to be taken: ALPI will review its current Cost Allocation Plan to ensure that all allocable costs, when applicable, are prorated and documented in accordance with ALPI's Cost Allocation Plan.

Again "thanks" for the opportunity to provide a response and plan of action. Should you have additional questions and/or concerns, please feel free to contact me at 863/956-3491.

Sincerely,

Deloris Johnson

Deloris Johnson
Chief Executive Officer

xc: William Holt, Chairperson, ALPI Board of Directors
Dennis Gniewek, Interim Finance Director
Al Miller, C&ES Division Deputy Director
Pahoua Lee-Yang, CSBG/Community Services Director
Paula Lemmo, DOE Community Program Manager

APPENDIX B: STATE COMMENTS

Rick Scott
GOVERNOR



Hunting F. Deutsch
EXECUTIVE DIRECTOR

November 13, 2012

Ms. Lori Pilcher
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services, Region IV
61 Forysth Street, SW, Suite 3T41
Atlanta, GA 30303

Re: Audit Response to Report Number A-04-11-01010

Dear Ms. Pilcher:

This correspondence is the Florida Department of Economic Opportunity (Department) response to your letter dated October 5, 2012. The Department appreciates the opportunity to respond to the draft report entitled *Agricultural and Labor Program, Inc., Did Not Always Charge Allowable Costs to the Community Services Block Grant – Recovery Act Program*.

The following are the Departments statements of concurrence or non-concurrence to the Findings and Recommendations in the above referenced draft audit response.

FINDINGS AND RECOMMENDATIONS

Costs Inadequately Documented

Of the \$357,155 in CSBG costs that the State claimed on behalf of the Agency and that we reviewed, \$279,617 was allowable under the terms of the grant and applicable Federal regulations. However, the State claimed \$36,142 in unallowable costs (or 10 percent of reviewed expenditures) on behalf of the Agency, including:

- \$32,024 in costs that was inadequately documented and
- \$4,118 in costs that was not allocable to the Recovery Act grant.

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The State also claimed \$41,396 in costs (or 12 percent of reviewed expenditures) that may not have been allocable to the Recovery Act grant and thus were potentially unallowable. The unallowable costs the State claimed on behalf of the Agency occurred because its policies and procedures were inadequate to ensure that costs were always adequately documented. Furthermore, the Agency did not have adequate policies and procedures in place to ensure costs charged to Federal awards were allocable. The potentially unallowable costs the State claimed on behalf of the Agency occurred because the Agency did not follow its cost allocation plan.

Because the Agency charged unallowable costs to the Recovery Act grant, the funds could not be used to reduce poverty, revitalize low income communities, and empower individuals to become fully self-sufficient.

Costs Not Allocable

The Agency charged \$4,118 in costs that were not allocable to the Recovery Act grant. Of the charges to the Recovery Act grant,

- \$ 2,313 was for travel and training costs for individuals who did not charge time to the grant,
- \$1,626 was for costs incurred outside of the grant period, and
- \$179 was for costs that benefitted other programs.

Costs Potentially Not Allocable

The Agency allocated \$41,396 in certain costs benefitting multiple programs to the Recovery Act grant that may not have been allocable to that award. The Agency established rates for direct charges to its programs at each location at which it provided services. The rates were based on the Agency's cost allocation plan, which stated that costs that benefitted multiple Agency programs would be allocated on the basis of the number of employees working on the program compared to the total number of employees. However, the documentation provided did not include an established rate for the Recovery Act grant. Instead, the Agency charged 50, 75, or 100 percent of certain costs that benefitted multiple programs to the Recovery Act grant.

For example, the Agency charged the grant \$3,559 (representing 100 percent of the costs) for a workstation in the Agency's human resources department at a service location where multiple programs were administered. Similarly, the Agency charged \$2,482 (also representing 100 percent of the costs) for travel costs for an employee who charged her time to multiple programs. Moreover, the travel included attendance at two conferences that were not specific to the Recovery Act. Without supporting documentation, we could not determine whether the costs were allocated to the Recovery Act grant in reasonable proportion to the benefits received. Therefore, we cannot determine whether the \$41,396 that the Agency charged to the Recovery Act grant was allowable.

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While the Agency had developed a cost allocation plan, it did not always follow the methods of allocating certain items of cost as described in the plan. As a result, the Agency charged some costs that may not have been allocable to the Recovery Act grant.

Department Response:

The Department has worked with the Agriculture and Labor Program, Inc. (ALPI), on the above findings and recommendations. By doing so, the Department concurs there were unallowable charges made to the CSBG/ARRA in the amount of \$4,886.84, and it is noted that the agency has also identified those items in the enclosed documentation as a concurrence with the finding.

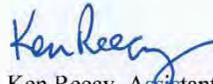
However, the remaining enclosed documentation that was remitted by ALPI has been reviewed by the CSBG program manager of the Department and she is requesting that the auditors review all of the documentation and the cost allocation plan being submitted with this response before finalizing this report. The documentation provided has been broken out into travel with invoices verifying the expenses charged to the ARRA program, complete documentation and invoices for a summer program that was provided by ALPI from ARRA funds which was a part of the ARRA approved budget and worksheets, and office supplies, telephone, utilities and equipment charges that were allocated and documented utilizing the breakdown in their cost allocation plan. After a thorough review by the program manager, it is an opinion of the Department that the presented documentation should be able to justify the majority, if not all of the questionable items.

The Department will return to ALPI within the year of 2013 to monitor and ensure that the ALPI improves its policies and procedures to ensure that only allocable costs are charged to Federal awards and that all costs charged to Federal awards are adequately documented. During the monitoring the Department will ensure that the ALPI is following its cost allocation plan and providing adequate supporting documentation.

This letter is being sent today through your secured system. Due to the amount of paper work provided by ALPI a hard copy of the documentation will be forthcoming with the original letter.

If you have any questions or comments about this report, please do not hesitate to contact Paula Lemmo, Community Program Manager, at (850) 717-8470 or through email at Paula.Lemmo@deo.myflorida.com.

Sincerely,



Ken Reecy, Assistant Director
Division of Community Development