The Next Door Foundation Claimed Unallowable Indirect Costs and Did Not Document the Funding Source of Program Expenditures in Accordance With Federal Requirements

What OIG Found
NDF did not always claim and account for HHS grant funds in accordance with Federal requirements. We identified unallowable claims for indirect costs totaling $142,104. We also identified other costs totaling $15,618 that did not fully meet Federal requirements but were related to the purpose of the grant. These costs included $9,968 for contractual services and $5,650 for cost transfers. In addition, NDF’s financial management system was not in compliance with Federal regulations. NDF claimed unallowable costs because it did not always follow its policies and procedures for claiming and accounting for HHS grant funds.

What OIG Recommends and Next Door Foundation’s Comments
We recommend that NDF refund $142,104 in unallowable indirect costs and work with its HHS funding agencies to ensure proper claiming of indirect costs, ensure that contractual agreements are signed and in place before services are provided, ensure that cost transfers meet applicable criteria and are fully documented, and ensure that the financial management system accurately matches expenditures with the source of funds.

In written comments on our draft report, NDF did not concur with our first finding that the 10 EHS-CCP partners should be considered subrecipients and that the indirect costs claimed totaling $142,104 should be disallowed. NDF concurred with our findings regarding contractual agreements, cost transfers, and accounting for HHS grant expenditures and described steps it has taken or plans to take to implement new processes or systems.

We maintain that the 10 EHS-CCP partners were subrecipients and that the indirect costs claimed totaling $142,104 should be disallowed. We acknowledge that NDF may not have intended to make a subaward; however, its intent (or decision not to seek prior approval) does not support the classification of partners as contractors. As stated in 45 CFR § 75.2, subawards may be provided by a non-Federal entity to a subrecipient through any form of legal agreement, even an agreement considered to be a contract.