

PERFORMANCE AUDIT OF THE

**Northeast Alabama Community
Development Corporation**

**Home Instruction for Parents of
Preschool Youngsters (HIPPY)
Grant**

Grant: AL-15842-C3-2011

OIG Report Number: 13-07

GRANT PERIOD: JANUARY 2011 – DECEMBER 2011

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Mr. Hubert N. Sparks
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Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Northeast Alabama Community Development Corporation for Home Instruction for Parents of Preschool Youngsters (HIPPPY), Grant AL-15842-C3-2011. The report is in response to Contract No. BPA 11-01-B.



Tysons, Virginia
April 25, 2013

Home Instruction for Parents of Preschool Youngsters Grant

AL-15842-C3-2011

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state, and local government. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the President. Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing, and transportation. These projects create thousands of new jobs, improve local water and sewer systems, increase school readiness, expand access to health care, assist local communities with strategic planning, and provide technical and managerial assistance to emerging businesses.

Northeast Alabama Community Development Corporation administers various programs with the primary focus centered on Youth Development and Homeownership Education and Counseling. These programs are designed to increase the self-esteem of youth, provide opportunities for parents to become well equipped to handle issues concerning their children, and to improve the communities throughout Northeast Alabama. The Youth Development program is assisted by the grant awarded by ARC.

On April 4, 2011, ARC approved the Home Instruction for Parents of Preschool Youngsters (HIPPPY) Grant, contract number AL-15842-C3-2011, in the amount of \$125,000 to Northeast Alabama Community Development Corporation (NACDC or Grantee). The Grantee was required to obtain an additional \$284,933 of matching (non-federal) funding. The purpose of this Grant was to fund the HIPPPY program for the fourth year in Clay County and allow expansion to Randolph County (an at-risk county). Two additional programs, Project Alert and Parent Project, were also funded. ARC funds were to be used for the period from January 1, 2011 to December 31, 2011 to support the employment of personnel and contract staff at varying levels of dedicated time plus related travel, supplies, and other costs. Contract staff or "Home Visitors" are members of the participating communities and are also parents in the HIPPPY program. They visit participating parents in their homes weekly to instruct them in using the HIPPPY educational materials with their children. Project Alert is a national program providing 7th and 8th grade students insight, understanding and skills for resisting substance abuse. Parent Project is a six to ten week activity based curriculum for teaching parents solutions to reduce family conflict and provide emotional and practical support for those raising children and teens.

Objective

Watkins Meegan LLC has been engaged to conduct a performance audit on the Home Instruction for Parents of Preschool Youngsters Grant for the period from January 1, 2011 to December 31, 2011. The purpose of our performance audit was to determine that:

- Funds expended and claimed for reimbursement from ARC were valid program expenses and in accordance with the ARC grant requirements;
- Internal controls were in place to ensure compliance with the grant requirements; and
- Goals and objectives of the grant had been achieved.

Home Instruction for Parents of Preschool Youngsters Grant

AL-15842-C3-2011

Executive Summary

Grant funds were used to support the payroll of personnel and contract staff, travel expenses, supplies for the curriculum, and other costs. Our review of program financial reports and internal financial reports identified several issues including the following:

- The Grantee recorded only \$113,838 of non-federal matching funds received in 2011. This funding is approximately \$171,000 less than the \$284,933 in matching funds required by the Grant terms.
- Approximately \$40,000 of the total expenses incurred related to the Acquisition Rehabilitation and Rent Program (ARRP) managed by NACDC. At least \$20,000 of the matching funds received related to the ARRP. We were not able to determine the allocation of some costs between ARC and non-ARC programs.
- In general, expenses were supported, but documentation was often insufficient to fully document work performed.
- The Reimbursement Request Worksheet submitted with the final report to ARC contained mathematical errors in that the total of Current Period costs reported in the interim and final reports did not equal Total Program Outlays in the final Reimbursement Request and did not agree to internal records. The total of Current Period amounts reported by the Grantee as federal expenses totaled \$88,916 but the Grantee was reimbursed \$125,000 based on Total Program Outlays reported.

The performance objectives of the grant were partially met. We were able to determine that HIPPY programs were delivered in Clay and Randolph Counties but documentation was not available to fully support program results including the number of visits reported and families served. Project Alert and Parent Project programs were delivered to high school students and parents, respectively, as provided in the Grant application.

Scope

We performed a program review of the Home Instruction for Parents of Preschool Youngsters Grant AL-15842-C3-2011 at the Northeast Alabama Community Development Corporation office (in Anniston, AL) from December 3-5, 2012, as described under this section and under the audit methodology section. Our review was based on the terms of the grant agreement and on the application of procedures compiled in the modified ARC Audit Program.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 objectives.

Audit Methodology

Our procedures were based on Audit Program guidelines provided by ARC Office of the Inspector General (OIG) and included suggested procedures over the Grantee's accounting and internal control systems affecting the grant. We met with the Executive Director of Northeast Alabama Community Development Corporation (NACDC), and other members of NACDC to discuss the Organization's overall structure and processes around grant administration and monitoring. We also discussed and reviewed other financial and operational elements related to the conduct of the project.

Our review of background material included ARC's Grant Agreement and related documentation, the Grant application, interim and final reports submitted by the Grantee the Internal Control Questionnaire completed by the Executive Director, and NACDC Financial Statements and the Independent Accountant's Review Report for Years Ended September 30, 2010 and 2011.

Our procedures included a review of controls in place for recording, accumulating, and reporting costs under the grant. We discussed with Management and certain staff whether the goals and objectives of the project funded with ARC monies had been met. This included meeting with the Executive Director and Program Coordinator to understand how his and her daily activities and responsibilities supported the administration of Northeast Alabama Community Development Corporation's ARC program. We also gained an understanding of the responsibilities of other staff funded by the grant.

We examined personnel records for internal staff, time sheets and invoices provided from contract personnel to support personnel and contractor costs charged to the Grant. We also reviewed the supporting documentation (invoices, vouchers, etc.) for a sample of expenditures for the supplies, materials, travel and other expenses that were paid for by ARC funds to determine if they were allowable costs, i.e., the expenses supported ARC staff. We evaluated those payments and other activities for compliance with applicable grant requirements and Federal Regulations. We reviewed the schedule of non-federal funds as recorded in the general ledger and examined supporting documentation for a sample of the receipts.

In addition, we reviewed data cumulated in the HIPPY database, program information, and the results of an accreditation assessment performed by the HIPPYUSA, the national organization that licenses the HIPPY program.

Results

Compliance with Grant Provisions – Financial and Reporting

The total grant award amount was \$409,933 including \$125,000 and \$284,933 of ARC (federal) and matching funds respectively. The final Reimbursement Request reported \$332,577 of Total Program Outlays, including \$125,000 ARC share and \$207,577 of matching expenditures. The total of program expenses as reported in the final Reimbursement Request report did not agree to the total Current Period amounts as included in interim and final reports, and did not agree to internal records. We were able to reconcile total program expenses reported as Current Period Expenses (combining three interim requests) to NACDC's general ledger. These amounts totaled \$293,425. The total of Current Period amounts reported by the Grantee as federal (ARC) expenses totaled \$88,916 but the Grantee was reimbursed \$125,000.

As described in more detail below, expenditures in the general ledger were not clearly aligned with budget categories per the grant. Not all matching expenditures related to the ARC program. We could not accurately determine the allocation of some expenditures, including personnel costs for the Executive Director and Executive Assistant and certain overhead and travel costs, between ARC and non-ARC.

The Grantee's records reported \$113,823 of other funding received in 2011; the Grant required matching funds of \$284,933. Supporting documentation for a sample of the grant funding was reviewed. At least \$20,000 of the non-federal funding received was to support non-ARC, housing related programs.

Home Instruction for Parents of Preschool Youngsters Grant

AL-15842-C3-2011

We summarized period-to-date reports and compared the totals to the Grant budget (figure 1) and the NACDC general ledger (figure 2) as follows:

Figure 1. Budget to Reported Costs (Period-to-Date Reports)

Budget Item	BUDGET			REPORTED Summary of Period to Date Reports			BUDGET to REPORTED Under / (Over) Budget		
	ARC	Match	TOTAL	ARC	Match	TOTAL	ARC	Match	Total
Personnel	\$ -	\$ 150,500	\$ 150,500	\$ -	\$ 92,516	\$ 92,516	\$ -	\$ 57,984	\$ 57,984
Benefits	-	44,688	44,688	-	27,498	27,498	-	17,190	17,190
Travel	8,200	-	8,200	6,111	-	6,111	2,089	-	2,089
Equipment	-	6,200	6,200	-	5,237	5,237	-	963	963
Supplies	13,800	17,150	30,950	5,800	12,863	18,663	8,000	4,287	12,287
Contractual	72,000	-	72,000	53,755	-	53,755	18,245	-	18,245
Other	31,000	66,395	97,395	23,250	66,395	89,645	7,750	-	7,750
Total	\$ 125,000	\$ 284,933	\$ 409,933	\$ 88,916	\$ 204,509	\$ 293,425	\$ 36,084	\$ 80,424	\$ 116,508

Figure 2. Period-to-Date Reports to General Ledger

Budget Item	REPORTED Current Period to Date Reports	Total Costs per General Ledger	Difference Under (Over)
Personnel	92,516	126,000	(33,484)
Benefits	27,498	11,282	16,217
Travel	6,111	23,570	(17,460)
Equipment	5,237	4,103	1,134
Supplies	18,663	11,284	7,379
Contractual	53,755	46,525	7,230
Other	89,645	70,661	18,984
Total	293,425	293,425	(0)

Findings: Financial and Reporting

Matching Funds

Finding: The Grantee did not obtain matching funds required by the Grant terms and it is uncertain if all costs claimed are reimbursable based on Grant provisions.

Recommendation: The Grantee should work with ARC to assess the amount of funds allowed and reimbursable.

Recording and Reporting Program Costs

Finding: The grantee is required to maintain complete and accurate financial records. The Grantee's financial records did not agree to amounts reported to ARC and did not segregate income or expenses by program. Certain benefit costs (\pm \$3,500 for payroll taxes) and some HIPY fees related to years prior to the current grant period.

Findings: Financial and Reporting (Continued)

Recording and Reporting Program Costs (Continued)

Recommendation: The Grantee's recordkeeping system should be refined to report funding and costs by program and include allowable, reasonable methodologies for allocating indirect costs. The existing software allows for capturing expenses "By Class" and could easily be adapted to better record and report costs based on program and budget categories. Costs should be recorded and reported in the period incurred in compliance with Generally Accepted Accounting Principles and grant terms.

Personnel Costs

Finding: Personnel costs represent payments to the Executive Director, Executive Assistant/Bookkeeper, and Program Coordinator. These amounts were agreed to Forms W-2 and Form 1099 reporting. Personnel payments were generally based on salary agreements and time allocated by program could not be determined. Time sheets were not consistently or fully completed and approved.

Recommendation: Timesheets should account for all time worked by the employee and allocate hours worked to specific projects or programs, administrative time, or personal leave. All timesheets should be prepared and signed by the employee and submitted timely to a knowledgeable supervisor for review and approval (signed). Costs should be recorded in the general ledger based on time sheet allocations.

Contractor Costs

Finding: Contractual expenses represent payments to contractors for delivery of HIPPY, Project Alert and Parent Project programs. These amounts were agreed to Forms 1099. Support for contractor payments did not include detail to determine specific services rendered and invoices were not always signed by the contractor. Approvals were not always evidenced. Contractual costs also include \$1,800 paid to NACDC staff for delivering certain programs in addition to their salaried payments.

Recommendation: Contractor billings should specify the period covered by the invoice, the program(s) supported, the specific visits or work performed during the period. The invoice should be approved and signed by a knowledgeable supervisor.

Travel Expenses

Finding: Travel expenses include costs related to meetings and conferences as well as local mileage costs for the contract consultants and staff personnel. Travel costs were generally supported but policies and procedures were informal and formal approval was not always evident. Mileage rates were inconsistent but appeared to be within federal guidelines. Some travel was related to non-ARC programs.

Recommendation: The Grantee should improve internal controls around approval of expenses including developing more detailed policies and procedures for approving and supporting travel and other expenses.

Findings: Financial and Reporting (Continued)

Other Costs

Finding: Other Costs include approximately \$40,000 of expenses related to Construction programs for Acquisition Rehabilitation and Rent Program (ARRP) managed by NACDC. Certain of these costs were reimbursed through matching funding. Other Costs also include office rents, utilities, accounting services, equipment rental, and license fees for the national HIPPY program. NACDC does not have a methodology for allocating indirect costs across programs.

Recommendation: NACDC should develop a methodology for allocating costs such as rents, utilities and equipment across programs.

General Recommendation: Based on the above findings, the Grantee should work with ARC to determine what costs are eligible for reimbursement under the Grant terms and what other costs can be considered matching funds.

Management Response: *Management generally agrees with the comments. Management will work with ARC to determine eligible costs for the year and revise reports as needed. Over the last few weeks and months, we have been in communication with our ARC project Manager to ensure that we are providing him with the proper information for the required reporting and that our records reflect the same. Changes have been made to the accounting system to separately account for program costs. Additional policies and procedures are being implemented to improve documentation and approval of expenditures. Records of HIPPY visits by contractors are also maintained in the HIPPY database. We will continue to improve our internal controls and continue our communication with our ARC project manager.*

Compliance with Grant Provisions – Performance

HIPPY

In its final report, NACDC reported that 70 families/children completed Kindergarten Readiness Tests assessing kindergarten readiness before and after completion of the HIPPY Program. Test results indicated improvement in all areas tested at the end of the program. The Grantee reported that 32 parents also completed surveys evaluating aspects of the HIPPY Program. Per the report, over 2,100 hours of home visitation were provided.

Test results are input by the Home Educators into the HIPPYUSA database. Reports from the database showed 62 children and 40 parents added to the system during 2011. We were unable to further validate results.

PROJECT ALERT

NACDC reported serving 350 7th grade students in Clay and Randolph counties through the Project Alert Program. The students were taught about and provided information on drug and alcohol prevention. Two schools in Clay County and two in Randolph County confirmed these programs were delivered to their students in 2011. The program goals for Project Alert to reach 300 students appear to have been met.

Compliance with Grant Provisions – Performance (Continued)

PARENT PROJECT

NACDC reported hosting four six-week courses in parenting using the Parent Project curriculum. Documentation provided showed approximately 80 parents trained at two separate facilities. Goals for this program appear to have been achieved. NACDC had plans for serving only 30 parents, but taught two extra classes at a detention center.

Findings and Observations – Performance

NACDC Accreditation by HIPPYUSA

Finding: The program has not received certification from HIPPYUSA. We reviewed results of the HIPPY USA Accreditation review performed in April and May of 2012. Areas noted for improvement included the need for increased training and better recordkeeping. The Grantee provided a Program Improvement Plan to HIPPY USA and expects to have another assessment performed in 2013.

Recommendation: To gain the best results from the HIPPY Program, the Grantee should continue to address and implement changes recommended by HIPPYUSA.

Management Response: *The Executive Director and other program personnel have attended additional training. HIPPYUSA has updated its data collection and reporting software and staff and contractors are being trained to use the new system. NACDC expects HIPPYUSA to perform its assessment within the next few months.*

Recordkeeping

Finding: Records to support dates when programs were held, participation/attendance, evaluations and cumulated results were not maintained in sufficient detail to document and support program activities. This applied to all three programs funded by this Grant.

Recommendation: The Grantee should develop better recordkeeping procedures, including leveraging tools provided by HIPPYUSA and other sponsors to monitor and track results. Formal schedules and field visit reports will also support and validate contractor invoicing. Improved recordkeeping will allow NACDC to ensure that programs are held as planned and desired outcomes are accurately measured and evaluated. Program activities can then be modified as needed to achieve optimal results.

Management Response: *Data related to HIPPY are maintained in the database. HIPPYUSA has made changes to the software that will improve both recordkeeping and reporting of results.*

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