



March 10, 2003

OIG REPORT 03-4

**MEMORANDUM FOR: CONNIE SHERROD
PROJECT DIRECTOR
GRACE CHILD DEVELOPMENT CENTER**

SUBJECT: Memorandum Survey Report
Review of Courtland School Readiness Program Project
AL-13615

PURPOSE

The purposes of our review were to determine; (1) the allowability of the costs claimed under the ARC grant, (2) if the grant objectives were met and (3) the current status of the project.

SCOPE

Our review included procedures to review costs incurred and claimed for reimbursement under the grant, as well as costs claimed as matching funds. The period of performance for the grant was September 1, 1999 to June 30, 2002. On October 28, 2002, a request for an extension was received and the grant was extended to January 31, 2003. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Courtland, Alabama, on June 20, 2002. Additional discussions were held during the following months. A draft report for comment was issued to the grantee on November 7, 2002. We initially received no response to the draft report. Only after repeated contacts with the grantee was a response provided on February 14, 2003.

As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-122 and A-133, and the ARC Code. Audit work was performed in accordance with Government Auditing Standards.

BACKGROUND

ARC Grant AL-13615 was awarded to the Grace Child Development Center (Grantee) to provide funds to expand their existing facility to accommodate a maximum additional 75 children for day care, after school care, and night care including transportation to and from the home of the child to the development/care center.

ARC funds were to support the purchase of two 15-passenger vans, additional personnel (including a grant administrator), supplies, and other operating equipment. The grantee was also to acquire, implement, and deliver a locally available version of a curriculum designed to prepare preschool children to enter elementary school at grade level. The grantee was to be responsible for tracking the results of the program as graduates enter elementary grades and progress on through the local public school. 80 children were to be tested at grade level prior to entering school.

The total project costs were estimated at \$435,750. The ARC grant was for \$196,000 (45%) and the grantee was to pay or cause to be paid the non-federal matching contribution of \$239,750 (55%).

RESULTS

Financial Review

During our visit, we reviewed the grantee's accounting records, including invoices and supporting documentation for the grant costs charged to the project. A judgmental sample of invoices was selected for review and documentation. The grantee's first reimbursement request, dated June 9, 2001, requested an advance of ARC funds in the amount of \$140,250, to be applied towards projected expenses of \$222,750 for the period of October 1, 2000 to December 20, 2001. The grantee stated that as of June 30, 2002, they had spent the remaining balance of \$55,750, and they are in the process of completing the final reimbursement and the final report.

The grantee submitted an additional reimbursement request for \$36,150 on December 18, 2002. The remaining balance is \$19,600, which is the 20% held upon submission of the grantee's final report.

The Equipment line item was budgeted at \$105,181 which included \$70,000 for the purchase of two vans. Bids were obtained for the vans and the grantee was able to obtain the two vans for \$55,340, which was \$14,660 less than budgeted.

The invoices sampled for review were all dated for the year 2001. Overall, claimed costs were supported by the grantee's accounting records with the following exceptions. Under the category Equipment, expenses claimed for a copy machine was for \$4,750, but the invoices totaled \$3,778 for a difference of \$972. Also, in the same category of Equipment, under Facility Modifications, the grantee charged ARC \$4,462, which included counter tops for infants; the invoice for the counter tops was for \$56 but the listing for Facility Modifications lists the charge as \$1,867 a difference of \$1,811, making the total \$6,076. The invoice did not have a date or vendor address.

RECOMMENDATIONS

1. We requested that the grantee:
 - a. Submit a copy of the Consultant Agreement and related invoices stating work performed.
 - b. Provide documentation for the additional \$972 related to the copy machine.
 - c. Determine and correct the \$1,811 discrepancy for the counter tops for infants.
 - d. Submit a copy of the invoice for the two vans, as only the bid from the vendor was obtained.
 - e. Provide a breakdown of the matching costs, mainly calculations for the facility, facility operations, insurance and land.
 - f. Submit their final reimbursement to the ARC Coordinator.

2. We recommended that the grantee improve their accounting system, including the addition of dates for each entry, current running balances and funding source stated on the original invoices along with the date paid.

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3. We also recommend that ARC deobligate the \$14,660 resulting in the difference between the budgeted and actual expense for the vans, as prior written approval had not been obtained from the Project Coordinator to use the funds elsewhere.

Funds
put
to better
use

GRANTEE'S RESPONSE

1. The grantee submitted the following documentation.
 - a. A copy of the Consultant's agreement, dated May 8, 2001, was submitted. The scope of work was for administering the ARC acquired funding. No invoices were submitted.
 - b. The grantee stated that the additional \$972 difference for the copy machine was for supplies and ink cartridges. No documentation was provided.
 - c. The grantee stated that the \$1,811 discrepancy for the counter tops was an accounting error and was corrected. Documentation was provided.
 - d. The grantee submitted invoices for the two vans purchased.
 - e. Calculations for matching costs of the facility, insurance and land was not submitted.
 - f. The grantee's final reimbursement has not been submitted to ARC.

2. The Grantee did not state that they have incorporated the accounting procedures to improve internal controls.

3. The grantee stated that the \$14,660 difference saved on the purchase of the two vans was spent on operational cost, personnel, equipment and materials. No documentation was provided.

AUDITOR'S RESPONSE

1. After a review of the submitted documentation we determined the following.
 - a. The grantee's support is inadequate. ARC must determine the acceptability of the consultant's fees based on the services provided to the grant.
 - b. Supplies and ink cartridges should have been entered as supplies not equipment. Documentation should be adjusted as appropriate.
 - c. Documentation acceptable.
 - d. Documentation acceptable.
 - e. We could not determine if the calculations claimed for matching were reasonable. ARC staff should pursue the backup documentation and make a determination.
 - f. The final reimbursement request has not been received.
2. The grantee should ensure an adequate accounting system is in place.
3. We recommend that ARC determine the acceptability of the van line item change for other expenses.

Program Review

Our site visit showed a well supplied children's facility, with children and staff in classrooms and outside, the grantee offers day and evening child care. The grantee has purchased their vans and they are being used to transport the children. Meals are prepared and served at the facility for the children. We were informed that the teachers had finished taking their classes to be certified and were waiting to be tested.

The grantee has not timely submitted their quarterly reports as required by the grant.

RECOMMENDATIONS

We requested the grantee submit the following additional documentation.

- a. The tracking system used for the children that had entered elementary school in order to follow their progress thru school.
- b. A copy of the curriculum used to prepare the children for school.
- c. Documentation of the teachers' certification.
- d. A listing of the number of children served.

GRANTEE'S RESPONSE

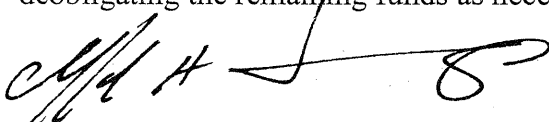
- a. The grantee stated that they did not develop a formal tracking system to determine the success of the children thru school. Their method of follow-up was to talk with parents, schools and local newspapers. The contacts are not documented.
- b. The grantee submitted two pages showing material used for their curriculum.
- c. The teachers were waiting to be tested for their CDA certificates.
- d. A listing of the number of children enrolled was received.

AUDITOR'S COMMENTS

- a. Without a formal tracking system we could not determine if the children entered public school at grade level, the success of the program or if any follow-up was completed.
- b. The grantee submitted a list of books that they draw from for their curriculum and a weekly activity schedule (attachment 1). We could not determine if this was the locally available version of a nationally accredited curriculum as stated in the proposal.
- c. The teachers had finished taking their classes for the Child Development Associate (CDA) in the year 2001. The December 2002 progress report stated that the teachers were waiting to be contacted about taking the final tests for certification. The contract administrator could not tell me why it was taking so long to be tested.
- d. The proposal stated that the Center cares for 38 children and had 51 children on the waiting list. The Center's goal was to serve an additional 75 children along with those currently enrolled. The January 2003 listing shows 47 children enrolled (an increase of 9 students). The grantee's June 2001 extension request stated that they will begin locating and recruiting children. The grantee recently stated that they no longer have a waiting list.

Documentation provided shows that in 2001 the majority of work was completed and funds expended. It could not be determined exactly what work was completed during the year 2002 that required the need for two extensions. Progress reports were not timely filed and those reports sent were mainly duplicative of the work done in 2001. This grant was extended to January 31, 2003 and the final report due within 30 days.

Based on the documentation available, the grantee did not complete all of the stated goals of the grant. We recommend that ARC take steps to close out the grant without delay, deobligating the remaining funds as necessary.



Clifford H. Jennings
Inspector General

Attachment