

MEMORANDUM REPORT ON REVIEW OF

CORNERSTONE CARE, INC.
GREENE COUNTY, PENNSYLVANIA

IMPLEMENTATION OF THE FAMILY CENTER

ARC GRANT NO: PA-11558-94-I-302-0426

FOR THE PERIOD
AUGUST 1, 1994 THROUGH JULY 31, 1996

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Report Number: 97-13(H)

Date: October 11, 1996

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IMPLEMENTATION OF THE FAMILY CENTER

ARC GRANT NO: PA-11558-94-I-302-0426

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AUGUST 1, 1994 THROUGH JULY 31, 1996**

Prepared by:

Tichenor & Associates
Certified Public Accountants
Woodbridge, Virginia

Under Contract Number J-9-G-5-0010 with the
U.S. Department of Labor
Office of Inspector General
Office of Audit

TICHENOR & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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TO: Appalachian Regional Commission (ARC)
Office of Inspector General (OIG)

FROM: Tichenor & Associates
Woodbridge, Virginia

REPORT FOR: The Federal Co-Chairman
ARC Executive Director
OIG Report No. 97-3(H)

SUBJECT TO: Memorandum Review Report on Cornerstone Care, Inc., Implementation
of the Family Center, Greene County, Pennsylvania. Grant No: PA-
11558-94-I-302-0426: ARC Contract No. 94-99.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by Cornerstone Care, Inc. were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grant had been met.

BACKGROUND: ARC awarded Grant Number PA-11558-94-I-302-0426, with maximum ARC funding of \$114,225, to Cornerstone Care, Inc. (Grantee) for the period August 1, 1994 through July 31, 1996. ARC required that the ARC grant funding be matched with Grantee cash and in-kind equal to 86 percent of project costs, approximately \$701,668. ARC made four progress payments through February 1, 1996, totaling \$85,554. Final payment had not been requested by the Grantee at the time of our review.

The purpose of the grant was to provide financial assistance to support the implementation of the Family Center in Greene County by the Grantee. The specific tasks of the grant program were:

- To establish the Family Center in Greensboro, Greene County, to serve at least 165 at-risk families by providing educational, social and health services that will assist them in being better parents, so their children can enter kindergarten or

first grade better prepared for academic success; services will include a Head Start/day care program and early prenatal care, among others; and,

- Begin a planning process to develop and implement the basic principles of the family center in all county school districts.

SCOPE: We performed a financial and compliance review of the grant as described in the Purpose section of this report. Our review was based on the terms of the grant agreement and on the application of certain agreed-upon procedures previously discussed with the ARC OIG. We determined if the specific tasks of the grant had been met, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if the Grantee had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the Grantee's personnel. Our results and recommendations are based on those procedures.

RESULTS: The following results were based on our review performed at the Grantee's offices in Greensboro, Pennsylvania:

A. Incurred Costs

The Grantee claimed total reimbursable costs from August 1, 1994 through October 31, 1995 of \$85,554. We reviewed the costs claimed for reimbursement and determined that, in general the funds had been expended as reported. However, we noted several conditions that affect the allowability of some of the claimed costs.

1. Unsupported Costs

The Grantee claimed \$4,204 for personnel and operating costs which were not supported by adequate accounting documentation. We identified unsupported costs of \$4,204 as explained below:

- a. The Grantee did not properly calculate personnel costs. The Grantee claimed salaries based on budgeted amounts beginning in May 1995. The result was an understatement of salaries of \$1,362. However, the Grantee also miscalculated worker's compensation for 1995. The Grantee calculated worker's compensation at 7.8 percent of salary costs rather than the actual percent of .078. The result was an overstatement of fringe benefit costs of \$3,187.

Salaries	(\$1,362)
Fringe Benefits	<u>3,187</u>
Total	<u>\$1,825</u>

Grantee's Response:

The Grantee stated the correct worker's compensation was 7.8 percent. The Grantee stated the worker's compensation rate is high because the county is self insured. The worker's compensation rate for the employees was estimated at 30 percent due to the nature of the jobs, which made the county's average 7.8 percent.

Additional Comments:

The support for the Grantee's fringe benefits indicated that the worker's compensation rate .078 percent. In addition, the estimate of 30 percent for these employees worker's compensation appears high. No documentation was provided to support such an estimate. Therefore, we continue to question the fringe benefit cost.

- b. The Grantee claimed \$2,379 for operating costs which was not supported by documentation, including \$900 for an adult literacy program which was not allocable to the grant. The Grantee was unable to explain the amounts claimed which were not documented in the accounting system.

These costs are unallowable in accordance with OMB Circular A-122, Attachment A, Paragraph A.2.g., which states:

"To be allowable under an award, costs must meet the following general criteria:...g. Be adequately documented."

Therefore, these costs should not be reimbursed by ARC.

Grantee's Response:

The Grantee concurred that the \$900 for the adult literacy program should not be charged to the ARC grant. The Grantee, however, was able to provide additional documentation supporting operating costs of \$1,398.

Additional Comments:

We reviewed the additional documentation provided by that Grantee and determined that an additional \$1,398 in operating costs were allowable grant costs. Therefore, we revise the finding to question \$900 in unallowable costs and \$81 [$\$2,379 - (\$900 + \$1,389)$] in unsupported costs.

2. Costs Incurred Prior to Grant Period

The Grantee claimed \$178 for a training conference and local travel incurred in July 1994, prior to the award of the grant. These costs are unallowable in accordance with 2-7, paragraph (2) which states:

"Prior to submission of the budget to ARC, no costs shall be eligible for reimbursement..."

In addition, Appendix III to Chapter 18 of the Appalachian Regional Development Act, Part 2, states, in part:

"Grant assistance and matching contributions shall:...

- (c) not be used to reimburse for work performed or services provided prior to the grant period."

Therefore, these costs should not be reimbursed by ARC.

B. Internal Controls

The unsupported and unallowable costs identified above are due to inadequate internal controls. A system of internal control consists of a division and integration of procedures to such an extent that the activities of various members of an organization are so interrelated that accounting errors and omissions will be detected automatically. The Grantee claimed errors and omissions to ARC because these checks and balances were not properly designed and implemented.

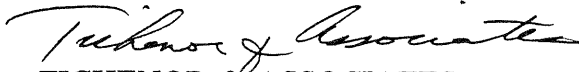
C. Program Results

The specific tasks of the grant program have or will be achieved by the end of the grant period, July 31, 1996. As of the date of our review, the Grantee had exceeded its goal of serving 165 at-risk families. The Grantee also stated that the Head Start Program, identified in the grant

agreement, is scheduled for implementation on May 1, 1996.

RECOMMENDATIONS:

We recommend the Grantee implement sufficient internal controls to properly accumulate and report costs eligible for reimbursement under the ARC grant. In addition, we recommend that the Grantee provide documentation to support eligible costs and adjust its financial status report to remove unsupported and unallowable costs identified above.


TICHENOR & ASSOCIATES
Woodbridge, Virginia



Administrative Office: 7 Glassworks Road • Greensboro, PA 15301

Phone: (412) 943-3308 FAX: (412) 943-4929

Rogersville Office: Church St. Ext. • Box 440 • Rogersville, PA 15301

Phone: (412) 499-5188

September 23, 1996

Tichenor & Associates
Certified Public Accountants & Management Consultants
12531 Clipper Drive, Suite 202
Woodbridge, VA 22192
Attention: Deirdre McKenna Reed

Dear Ms. Reed:

This letter is submitted in response to a request from your office concerning an audit of Arc funds (Grant number: PA 11558-94-I-302-0426; ARC Contract number 94-99) received by Cornerstone Care, Inc. for the period from August 1, 1994 through October 31, 1995. It has been very difficult to respond to the Auditor's (Mr. Rene Jorgenson) report in a timely manner due to a turnover in the personnel managing the Family Center Program.

The ARC grant was submitted by Cornerstone Care Inc., to provide financial assistance to support the development of a Family Center in Greene County.

The purpose of the audit was to determine:

- A) Whether all incurred expenses were allowable for for ARC reimbursement.
- B) If an appropriate accounting system to maintain fiscal and program integrity existed.
- C) If the objectives of the Family Center Program were being met.

The audit reflected unallowable reimbursed expenditures for personnel and operating costs. Enclosed for your review is our response to the audit report received from your office covering the ARC Grant period from 8/94 thru 10/95. Also enclosed is backup documentation.

As relates specifically to personnel costs, based on information received from Greene County's Chief Clerk and Personnel Director the workman's compensation percentage of 7.8% is the correct calculation rather than the .078% suggested in the auditor's report. The county's workman's compensation rate is much higher because the county became self insured in 1992. All county employees were pooled together including those employed at the county's long term care facility (Curry Home). The workman's compensation rate for employees at the Curry Home was estimated, due to the nature of their jobs, at 30% making the county average 7.8%. The program's budget (personnel costs) was based on this county rate.

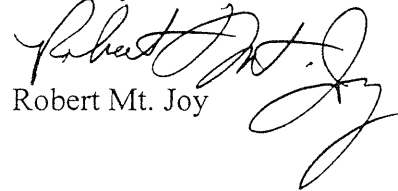
As relates specifically to operating costs, the program agrees that the cost of \$178 claimed for staff training prior to the implementation of the ARC Grant is unallowable. Your finding is correct.

It must be stated that prior to the audit and as a result of the audit the program has, with assistance from the Greene County Human Services Department, implemented a software program to insure a check and balance fiscal accountability system.

If further information is needed please contact either myself at (412) 943-3308 or Greene County Human Services at (412) 852-5276. Again, accept my apology for the untimely submission of this report and response to the audit.

Thank you for your assistance and understanding.

Sincerely,


Robert Mt. Joy

ARC Audit Report

8/94 - 1/95

Local Travel (\$109.97)

The amount of (\$109.97) is a justified finding. The wrong amount was claimed. Your finding is correct.

Copying - (\$4.89)

The amount (\$4.89) is a justified finding. The wrong amount was claimed. Your finding is correct.

2/95 - 4/95

Copying - (\$112.36)

Xerox Corporation Ck# 5961,5977,6123

Ck#5961 - \$185.52

Ck#5977 - 6.48

Ck#6123 - 5.64

The amount claimed was in error. The amount of \$112.36 on the spreadsheet is the correct finding.

Adult Literacy - (\$900.00)

This amount was charged off to the wrong grant fund. Your finding is correct.

5/95 - 7/95

Supplies - (\$56.25)

Linette Phillips - Ck#6165

Your calculation is correct \$56.25 was claimed under the wrong cost center. It should have been claimed under travel.

Local Travel - Ck#6156, 6165

The amount on the spreadsheet reflects \$636.75. We claimed \$674.25. Out of the \$674.25 that was claimed \$69.00 was a voided check. We voided the \$69.00 check and made out a new one for \$56.25. This left a balance of \$12.75 that is unjustified. The backup documentation is attached with the invoice.

Copying - (\$25.82)

Xerox Corporation - Ck#6078, 6263

Ck#6078 - \$7.08

Ck#6263 - 18.74

The amount of these two checks equals the \$25.82 that was incorrectly charged off on the 8/95 - 10/95 report. Documentation is attached with the invoices. This amount is justified.

8/95 - 10/95

Supplies - (\$88.01)

This error is correct in the audits finding.

Local Travel - (\$589.25)

Ck#6366,6439,6522,6521,6629,6624,6546,6544,6543,6432,6435

Ck#6439 - 61.75

6522 - 125.00

6521 - 33.25

6629 - 27.75

6624 - 101.00

6546 - 139.75

6544 - 51.00

6543 - 32.50

6432 - 52.00

6435 - 36.75

The invoices for these checks are attached. They equal the \$660.75 that was claimed.

Copying - (\$290.11)

Xerox Corporation - Ck#6515,6611,6698,6078,6263.

Ck#6515 - \$71.72

6611 - 61.07

6698 - 95.04

6078 - 7.08

6263 - 18.74

The total of check number 6515,6611,6698 equals \$227.83.

The total of check number 6078, 6263 equals \$25.82.

The total of \$227.83 is the correct amount that should be claimed on the report. The amount of \$25.82 should have been charged off the 2/95 - 5/95 report.

Telephone - (\$391.86)

Alltel - Ck#6448,6517,6608,6682

Ck#6448 - \$ 99.25

6517 - 73.80

6608 - 110.28

6682 - 108.53

The total amount of these checks equals \$391.86 which was the amount claimed on the spreadsheet. The invoices are attached to justify this amount. The spreadsheet with these invoices were not given for the audit. The spreadsheet is attached.

8/95 - 10/95

Training - (\$150.00)

University of Pittsburgh - Ck#6513


The invoice for this amount is attached. The spreadsheet with this invoice was not given for the audit. The spreadsheet is attached. The training was held September 21, 1995.

INTERNAL MEMO

DATE: December 6, 1996

SUBJECT: ARC Contract No. 94-99/PA-11598-94-I-302-0426

TO: Hubert Sparks

FROM: Cari Morningstar 

COMMENTS: Subsequent to my previous memo to your regarding the questioned cost for workmens compensation charges, a letter has been forthcoming from the Greene County Board of Commissioners. A copy of the letter is attached which I think is self-explanatory.

I have adjusted the final payment for the project to reflect the audit findings with which Greene County agreed.

COMMISSIONERS
Dave Coder, *Chairman*
Farley Toothman
John R. Gardner
David Hook, *Solicitor*



Gene Lee
Director, Finance & Administration
Chief Clerk
Charles Rockwell
Director, Law & Order
John O. Higgins
Director, Buildings & Grounds
Ann Bargerstock
Director, Planning & Development

GREENE COUNTY BOARD OF COMMISSIONERS

93 East High Street, Waynesburg, Pennsylvania 15370 • PHONE: 412-852-5223 • FAX: 412-627-5428

November 21, 1996

Cari Morningstar
The Appalachian Regional Commission
1666 Connecticut Avenue, NW
Washington, DC 20235

Dear Ms. Morningstar:

In response to your fax sent to us on 10/29/96 regarding the County's workman's compensation rate issue raised in the Inspector General's audit report for the Family Center Project located at Cornerstone Care, Inc. the workman's compensation issue was discussed with the County of Greene's Chief Clerk, Gene Lee.

As relates specifically to personnel costs, based on information received from Greene County's Chief Clerk and Personnel Director the workman's compensation percentage of 7.8% is the correct calculation rather than the 0.78% suggested in the auditor's report. The county's workman's compensation rate is much higher because the county became self insured in 1992. All county employees were pooled together including those employed at the County's long term care facility (Curry Home). The workman's compensation rate for employees at the Curry Home was estimated, due to the nature of their jobs, at 30% making the county average 7.8%. The program's budget (personnel costs) was based on this county rate.

Based on the audit performed by the Bureau of Child Support Enforcement, Division of Field Operations of the PA. State Auditor Generals Office a recommendation was made that we use the following workman's compensation rates for our personnel. These are the correct rates that should have been used. Clerical .01383, and Salesman/Caseworkers .01619.

We apologize for the mistake made on the workman's compensation rates. We would appreciate if possible that based upon the new figures listed above that you can adjust the final ARC reimbursement accordingly to these rates and deduct whatever amounts are owed to the program and send the remainder of the balance that was submitted on the final ARC report.

If you should have any questions, please do not hesitate to call me at (412) 852-5276).

Thank you.

Sincerely,

Charles Mancinelli,
Acting Director, Greene Cty. Human Services Department



prepared for academic success; services will include a Head Start/day care program and early prenatal care, among others; and,

- Begin a planning process to develop and implement the basic principles of the family center in all county school districts.

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Salaries	(\$1,362)	Under payed SALARIES
Fringe Benefits	<u>3,187</u>	
Total	<u>\$1,825</u>	TOTAL to be deducted from Final Report.

DRAFT