

MEMORANDUM FOR: STANLEY SEIDEL
First Assistant for
Veterans' Employment and Training

FROM: JOHN J. GETEK
Assistant Inspector General
for Audit

SUBJECT: PowerComm Foundation
Consultation Report No. 02-01-209-02-201

The purpose of this report is to summarize the results of our examination of documents provided to your agency from PowerComm Foundation (PowerComm) in support of costs incurred under Grant No. E-9-5-9-0019. This examination was performed at the request of the Veterans' Employment and Training Service's (VETS) Director of the Office of Agency Management and Budget and was limited to determining if documentation submitted by PowerComm to VETS supported the allowability of costs incurred under the grant.

We determined that PowerComm's documentation, accounting for costs of \$106,057, was not adequate to support the allowability of costs incurred under the terms of its grant. If you have any questions concerning this report or require additional assistance, please contact Richard H. Brooks, Regional Inspector General for Audit, at (212) 337-2566.

BACKGROUND

PowerComm is a nonprofit organization established by the PowerComm Construction Company. PowerComm was awarded JTPA Title IV-C Grant No. E-9-5-9-0019 in the amount of \$99,950 for a pilot project covering the period May 17, 1999 to May 16, 2000. The purpose of the grant was to target qualified veterans and place them into International Brotherhood of Electrical Workers (IBEW) apprenticeship training programs in the telecommunication and utility construction fields.

Over the grant period, PowerComm did not timely submit the required quarterly financial and performance reports, despite numerous requests from VETS. On May 16, 2000, the last day of the grant period, PowerComm submitted the first three quarterly Financial Status Reports covering the period May 17, 1999 to March 31, 2000. The final quarterly Financial Status Report has not been submitted. However, on May 19, 2000, PowerComm provided VETS documentation in an effort to account for costs of \$106,057 and funds drawn of \$99,900. Subsequent efforts by VETS to address financial and performance concerns were unsuccessful.

RESULTS

Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, (A)(2)(a) and (g) state:

Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:

a. Be reasonable for the performance of the award and be allocable thereto under these principles. . . .

g. Be adequately documented.

PowerComm provided VETS with \$106,057 in invoices, receipts, written notations on slips of paper, and ledger sheet notations that were not in chronological order. However, documentation submitted by PowerComm was not adequate to support the allowability of costs incurred under the terms of its grant. There were no canceled checks to support payments. Documentation to indicate the relationship of the costs to the grant was not provided. Handwritten post-it slips were the only documentation provided to support \$91,064 of costs or 86 percent of PowerComm's submission. Details by cost category are presented below:

Personnel Costs - \$60,860

Documentation consisted of a piece of paper indicating manager \$27,000, manager \$28,000, support \$3,000, support \$2,860 for a total of \$60,860. Proper documentation would include canceled checks, time records, personnel records, payroll registers with names, social security numbers, payroll taxes withheld, or IRS Form 1099 filings.

Office Rents - \$14,836

Documentation consisted of a piece of paper indicating \$9,600 (12 months) and \$5,236 (12 months) for a total of \$14,836. Proper documentation, such as canceled checks and a lease agreement indicating the terms of the leased properties, is needed to determine if (1) the properties were occupied for 12 months and used exclusively for grant-related purposes, and (2) an arms-length relationship existed with the landlord. OMB Circular A-

122, Attachment A, (3)(b) states that in determining the reasonableness of a given cost, consideration will be given to:

The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.

Transportation - \$7,577

Submitted as documentation was a handwritten post-it slip with initials on it indicating \$5,400 (\$450 x 12 months) for a vehicle lease. There was no lease agreement attached and no indication that this vehicle was used exclusively for grant-related business. Also, there were receipts for \$2,177 for air fares, car rentals, taxi fares, train fares, and parking. Documentation to indicate the relationship of these costs to the grant was not provided.

Office Equipment - \$7,303

There was a receipt for \$5,303 from a computer store for two desktop computers (including \$300 for extended service contract) and a handwritten initialed post-it slip indicating a \$2,000 purchase of a laptop. Since there were no computer-generated records for PowerComm, the relationship of these computers to the grant cannot be determined. Also, Section V of the General Provisions of the grant agreement states that:

The Department of Labor reserved the right to take title to any and all property with a unit acquisition cost of \$1,000.00 or more purchased with grant funds when the grant terminates or if the property is no longer required for its original purpose.

Travel - \$4,924

There were receipts for fuel, tolls, food, and lodging totaling \$4,924. However, the relationship of these costs to the grant was not established. It should be noted that over half of the fuel costs of \$2,183 were for diesel fuel.

Telecommunications - \$4,680

A written statement indicating e-mail internet services totaling \$360 (\$30 x 12 months), and phone lines and service charges totaling \$4,320 (12 months x \$360) is not an acceptable substitute for invoices, canceled checks and documentation as to the grant-related nature of these costs.

Miscellaneous - \$2,420

Documentation included \$270 of receipts and three handwritten initialed post-it slips totaling \$2,150 indicating marketing services rendered by three people. However, the relationship of these costs to the grant was not established.

Supplies - \$2,094

Documentation submitted for supplies expense did not sufficiently support the relationship of these costs to the grant, as follows:

- Documentation for \$972 for marketing materials included \$472 in receipts for brochure printing, and a handwritten post-it slip indicating that \$500 was paid for marketing materials and creative services.
- Postage expense of \$520 included postage receipts for \$245 and a handwritten post-it indicating \$275 (500 mailings x \$.55).
- Office supplies of \$602 were documented by sales receipts which did not indicate the relationship to grant activities.

Public Relations - \$1,363

A \$1,000 invoice from a consultant for media release work and followup is properly documented but there was no cancelled check to review to support that payment was made. Also, there was \$363 of other costs which lacked documentation.