

**U.S. Department of Labor  
Office of Inspector General  
Office of Audit**

## **BRIEFLY...**

Highlights of Report Number: 03-07-001-03-321, to the Assistant Secretary for Employment and Training

### **WHY READ THE REPORT**

The Office of Inspector General (OIG) performed an audit resulting from a complaint of an H-1B Technical Skills Training Grant awarded by DOL's Employment and Training Administration (ETA) to the Community Preservation and Development Corporation (CPDC) located in Washington, DC. The complainant alleged that CPDC:

1. allocated salary expenses to the grant for staff not directly involved in providing H-1B services;
2. used grant funds, intended for DC residents only, to provide services to out-of-state residents;
3. reported outcome data that were dubious;
4. did not meet its matching funds requirement;
5. used grant funds to develop CPDC's website; and
6. spent proceeds from certain properties to purchase surplus equipment to be used at other properties.

### **WHY OIG DID THE AUDIT**

The purpose of our audit was to answer the following questions:

1. Did CPDC ensure that costs charged to the grant were reasonable, allowable, and allocable?
2. Were the reported participant outcome data valid and reliable?
3. Did CPDC meet the \$2.6 million matching funds requirement according to the grant agreement?

We did not perform specific audit work on allegations 2, 5, and 6. For allegation 2, the grant did not limit services to Washington, DC residents. For allegations 5 and 6, the complainant could not provide specific information, and nothing came to our attention to indicate that the allegations could be substantiated.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and CPDC's response, go to:

<http://www.oig.dol.gov/public/reports/oa/2007/03-07-001-03-321>

**March 2007**

## **Audit of a Complaint Involving the Community Preservation and Development Corporation's H-1B Technical Skills Training Grant**

### **WHAT OIG FOUND**

We found that CPDC did not accurately report, allocate, and support salary costs, and CPDC charged indirect costs to the grant without an approved indirect cost plan. These conditions occurred because CPDC did not have adequate internal controls in place. As a result, CPDC charged \$870,821 in salary and indirect costs to the DOL grant that did not meet the Office of Management and Budget (OMB) Circular A-122 cost principle requirements for Federal grants by nonprofit organizations.

CPDC's reported participant outcome data were not valid and reliable. CPDC overstated the reported number of participants trained and placed in employment, and who received promotions and/or wage gains. This occurred because CPDC did not have internal controls in place to ensure that it had a management information system that accurately tracked participant activity, maintained evidence to support participant outcome data, and accurately reported it to ETA. As a result, CPDC overstated its participant outcome data and did not meet the outcome goals of the grant.

CPDC met the required matching fund contribution for the grant.

### **WHAT OIG RECOMMENDED**

We recommend that the Assistant Secretary for Employment and Training:

1. Recover the \$870,821 in questioned salary and indirect costs charged to the grant.
2. Require CPDC to re-submit the final grant close-out package with revised outcomes.
3. Prior to awarding future grants to CPDC, perform a review to ensure CPDC has: a financial accounting system that meets Federal requirements; internal accounting controls; a Federally approved indirect cost plan; and a management information system to ensure that reported performance data is accurate, supportable, and reliable.

CPDC agreed to re-submit a final grant close-out package with revised outcomes. With regard to questioned costs related to salary and indirect costs charged to the grant, CPDC disagreed with the report's conclusions and related recommendation.