

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE  
MANAGEMENT OF GRANTEE  
OPERATIONS AT THE OFFICE ON AGING**



**AUSTIN A. ANDERSEN, ESQ.  
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



March 30, 2004

E. Veronica Pace  
Executive Director  
Office on Aging  
441 Fourth Street N.W., Suite 900 South  
Washington, D.C. 20001

Dear Ms. Pace:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) Audit of the Management of Grantee Operations at the Office on Aging (OIG No. 03-2-03BY).

Our audit report contains 20 recommendations for necessary action to correct the described deficiencies. We received a response from the District of Columbia Office on Aging (DCOA) on March 25, 2004, to a draft of this report. DCOA agreed with the report findings and recommendations. We consider actions taken and/or planned by DCOA to be responsive to the recommendations. DCOA's response is at Exhibit E.

Additionally, the law firm of Rubin, Winston, Diercks, Harris & Cooke, L.L.P., who represents Senior Citizens Counseling & Delivery Service (SCCDS), responded to the draft report on behalf of SCCDS. The SCCDS attorney, while disagreeing with certain facts as presented in the report, stated that SCCDS is prepared to accept most of the report recommendations. A copy of these comments have been included as part of the permanent audit files.

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely

A handwritten signature in black ink, appearing to read "Austin A. Andersen", is written over a white background.

Austin A. Andersen  
Interim Inspector General

AAA/cf

Enclosure

cc: See Distribution List

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**AUDIT OF THE  
MANAGEMENT OF GRANTEE  
OPERATIONS AT THE OFFICE ON AGING**

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## EXECUTIVE SUMMARY

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### OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the District of Columbia Office on Aging's (DCOA) management and administration of the grant awarded to Senior Citizens Counseling and Delivery Service (SCCDS) as requested by the Executive Director of DCOA. Throughout the audit, the Executive Director of DCOA cooperated fully with various requests from our auditors and greatly assisted our efforts to obtain access to information from the grantee. We performed the audit to determine whether DCOA and the SCCDS grantee: (1) achieved program results in an effective, efficient, and accurate manner; (2) complied with requirements of applicable laws, regulations, policies, procedures, and contract (grant) requirements; and (3) had internal controls in place to prevent or detect material errors and irregularities.

On May 16, 2003, we issued a Management Alert Report (MAR No. 03-A-02) to alert the DCOA Executive Director that SCCDS could not provide documentation to support claims for reimbursement for certain services. We recommended in the MAR that DCOA recoup all funds paid to SCCDS for claims unsupported by adequate documentation (MAR Recommendation 1) and only reimburse SCCDS for claims that are adequately supported (MAR Recommendation 2).

DCOA provided a response to the OIG on June 2, 2003, stating that DCOA had developed an extensive audit program to validate the information from grantee-created rosters to initiate billing for services. In addition, DCOA will conduct audits on a rotating three-year cycle. These audits will be performed to ensure that grantee requests for reimbursement are adequately supported, services provided to senior citizens are valid services, client intake forms are accurate, and any amounts billed and paid without supporting documentation will be deducted from grant funds. Although DCOA's response fully met the intent of Recommendation 2 of the MAR, DCOA did not address the issue of recoupment of funds paid for unsupported reimbursements as stated in Recommendation 1. We have included the recommendation to recoup funds as Recommendation 5 in this report for DCOA's reconsideration and response.

### CONCLUSIONS

The audit identified conditions indicating that DCOA needs to improve monitoring and oversight of the grantee, SCCDS. Our review showed that DCOA encountered difficulty in managing grant funds, which had been provided to SCCDS through a DCOA grant to provide services to underprivileged, elderly citizens of Ward 8, in an efficient and economical manner. We found that SCCDS was not operating under proper District licensure; in fact, its Articles of Incorporation had been revoked. Additionally, SCCDS did not follow or maintain bylaws, and had not established an active and viable Board of

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## EXECUTIVE SUMMARY

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Directors. SCCDS operated and received DCOA grant funds without submitting an audit to the DCOA in accordance with Office of Management and Budget (OMB) Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Also, SCCDS failed to take corrective action on repeated findings described in reports performed by Certified Public Accountants (CPAs) on SCCDS's financial statements.

Additionally, DCOA made payments to SCCDS without proper documentation to support SCCDS claims for reimbursement and our review of SCCDS records did not substantiate the claims SCCDS submitted for reimbursement. Lastly, SCCDS did not have or maintain critical records required by the DCOA Grants Management Manual.

SCCDS has been operating under the financial oversight of a fiduciary agent, the United Planning Organization (UPO), whose purpose was to serve as trustee over and have total responsibility for all DCOA grant funds. Under the fiduciary agent's oversight, SCCDS continued to operate and provide services that were not in accordance with the grant agreement. However, the fiduciary agent indicated that it has not been able to exercise its fiduciary responsibilities over SCCDS because of resistance from the SCCDS Executive Director.

### SUMMARY OF RECOMMENDATIONS

We directed 20 recommendations to the Executive Director, DCOA, to improve the conditions noted, initiate essential internal controls, and obtain potential monetary benefits. The recommendations represent actions considered necessary to address the conditions identified in the findings of this report.

The recommendations center, in part, on improving the oversight of grantee operations and ensuring that SCCDS operates with current business licenses and certifications. We also seek to improve the fiduciary agent's oversight by having the fiduciary submit a time-phased plan for securing SCCDS cooperation within the framework of the Memorandum of Understanding. To limit losses, we recommend recovery of funds for inflated billings and unsupported claims, cessation of SCCDS prohibited activities, and compliance with OMB Circular No. A-133 requirements. We also addressed recommendations to update the DCOA Grants Management Manual, specifically the grantee record-keeping provisions.

DCOA provided a response to a draft of our report on March 25, 2004, that incorporated actions taken or planned that address the recommendations made. We consider actions taken and/or planned by DCOA to be responsive to the recommendations. The complete text of DCOA's response is at Exhibit E.

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## EXECUTIVE SUMMARY

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Additionally, the law firm of Rubin, Winston, Diercks, Harris & Cooke, L.L.P. who represents Senior Citizens Counseling & Delivery Service (SCCDS) responded to the draft report on behalf of SCCDS. The SCCDS attorney, while disagreeing with certain facts as presented in the report, stated that SCCDS is prepared to accept most of the report recommendations. A copy of these comments have been included as part of the permanent audit files.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

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## INTRODUCTION

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### BACKGROUND

The District of Columbia Act on the Aging, D.C. Law 1-24 § 301 (codified at D.C. Code § 7-503.01) established DCOA as a separate government agency in 1975 to promote the welfare of the aged. DCOA's overall mission is to enhance the quality of life for District of Columbia elderly residents (age 60 years and over) by advocating, planning, implementing, and monitoring programs in health, education, employment, and social services. DCOA further seeks to promote longevity, independence, dignity, and choice for the District's elderly residents. In furtherance of its mission, DCOA administers the provisions of the Older Americans Act as amended (P.L. 100-175), monitors and assesses the health and social services delivery systems operated by community-based non-profits, and coordinates activities with the D.C. Commission on Aging and other organizations.

DCOA conducts community forums, outreach activities, and focus groups to inform senior citizens concerning programs and services to which they are entitled. DCOA also seeks to promote healthy, independent lifestyles and to sensitize the public about the aging process. The agency funds 35 different types of services for D.C. residents age 60 and over through grants and contracts with community-based non-profit agencies and for-profit providers. During fiscal year (FY) 2002, DCOA provided approximately 81,011 services to senior citizens who represented 16 percent of the total District population of 572,059. DCOA has a consolidated budget of approximately \$20.7 million with funding coming from local, federal, private, and intra-District sources.

DCOA awards grants to organizations to operate senior centers to deliver program services, including congregate and home-delivered meals, transportation, information, and other assistance to elderly residents. DCOA pays grantees according to the number of meals served or delivered and for other services the grantee provides on a daily basis. There are a total of 34 grant recipients (grantees) who assist DCOA in providing a wide range of services to the elderly. Our audit focuses on one grantee in particular, the Senior Citizens Counseling and Delivery Service (SCCDS).

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## INTRODUCTION

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SCCDS is a community-based social service agency located in the Anacostia (“far southeast”) area of the District’s Ward 8. It was incorporated under the laws of the District of Columbia to provide a wide range of services and activities to improve the living conditions of the District’s elderly population who reside in the “far southeast” area of the District. SCCDS receives most of its revenue through grants from DCOA and Medicaid. Under provisions of Section 501(c)(3) of the Internal Revenue Service Code and applicable income tax regulations of the District of Columbia, SCCDS is exempt from income taxation. SCCDS has been serving the senior community in Ward 8 of the District of Columbia for over 29 years. SCCDS provides 12 services daily at 5 sites within Ward 8. These services are listed in Table I below:

**Table I: SCCDS Daily Services to Elderly**

|                                   |                                     |
|-----------------------------------|-------------------------------------|
| Congregate Meals                  | Counseling                          |
| Health Promotion                  | Nutrition Counseling                |
| Nutrition Education               | Recreation/Socialization            |
| Weekend Meals                     | Transportation/Home-Delivered Meals |
| Transportation/Sites & Activities | Home-Delivered Meals                |
| Geriatric Day Care                | Literacy                            |

SCCDS has received monetary support from DCOA for nearly 20 years in the form of grants amounting to over \$8.9 million. From 2000 to 2002, DCOA awarded SCCDS grants amounting to \$1,460,000 using a competitive application process for providing services to the elderly in Ward 8. For FY 2003, SCCDS was awarded a DCOA grant for \$488,000.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The overall objectives of the audit were to determine whether DCOA and the SCCDS grantee: (1) achieved program results in an effective, efficient, and accurate manner; (2) complied with requirements of applicable laws, regulations, policies, procedures, and contract (grant) requirements; and (3) had internal controls in place to prevent or detect material errors and irregularities.

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## INTRODUCTION

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To accomplish our objectives, we held interviews and discussions with DCOA management and administrative staff to gain a general understanding of the policies, procedures, and other controls used by DCOA for grantee management and oversight. Our audit encompassed a review of 9 of the 12 services provided by SCCDS; we did not review Nutrition Education, Nutrition Counseling, and Literacy services. We also held meetings and discussions with SCCDS's Executive Director and staff to gain an understanding of its daily operations. Additionally, we met with representatives from the United Planning Organization, District of Columbia Department of Consumer and Regulatory Affairs, District of Columbia Department of Health, Corporation for National Service, and the Internal Revenue Service. Lastly, we contacted SCCDS's enrolled senior citizens and members of SCCDS's Board of Directors.

We reviewed and analyzed DCOA grant award documents for SCCDS. We also reviewed SCCDS documents, such as accounting records, bank records, financial records, invoices, documents, minutes, and records of Board of Directors meetings, as well as sign-sheets of guests and clients. However, in many instances only partial records were provided to the auditors for the audit period under review.

On March 31, 2003, due to our unsuccessful attempts to obtain records for this audit, we issued a subpoena to the Executive Director of SCCDS for all correspondences and records in its possession, to include accounting and bank records, cancelled checks, contracts, sign-in sheets for senior citizens events, transportation requests, and vendor information. In response to the subpoena, SCCDS provided documentation that was incomplete and records that only partially supported transactions. In many instances, SCCDS simply did not provide much of the information that we requested. Accordingly, the lack of supporting documentation resulted in a significant audit scope impairment that affected our ability to fully accomplish some of our audit objectives.

The audit covered the period of October 1, 2001, to July 18, 2003, was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary under the circumstances.

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## FINDINGS AND RECOMMENDATIONS

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| <b>FINDING 1: DCOA GRANT MANAGEMENT PRACTICES</b> |
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### SYNOPSIS

DCOA needs to improve its management of grant funds awarded to SCCDS to provide services to Ward 8 underprivileged, elderly citizens. DCOA encountered difficulty in managing grant funds provided to SCCDS and in monitoring SCCDS's performance in accordance with the terms of the grant agreement and service standards. In addition, DCOA did not establish a system to ensure accountability for payment requests of reimbursable services, and DCOA's policies and procedures lacked effective guidelines and instructions for monitoring and overseeing grantees. Further, DCOA's staff did not become knowledgeable of or enforce the terms of the grant agreement and federal and District guidelines. As a result, there is no assurance that the underprivileged, elderly residents of Ward 8 received all of the services to which they were entitled in a manner consistent with District laws, rules, and regulations.

### DISCUSSION

DCOA awarded 34 grants during FY 2003 to provide services to underprivileged, elderly citizens within the District of Columbia. One of these grants was awarded to SCCDS to provide a wide range of services and activities to improve the living conditions of the elderly people who reside in the Anacostia ("far southeast") area of the District's Ward 8. SCCDS provides 12 daily services at 5 sites within Ward 8. In the last three years, DCOA awarded SCCDS grants amounting to \$1,460,000. The FY 2003 grant to SCCDS was valued at \$488,000.

DCOA was not managing its grant funds efficiently and economically. This condition was exacerbated by the fact that DCOA encountered difficulty in getting SCCDS to cooperate with DCOA personnel and getting access to SCCDS records. These issues are identified in detail in Findings 2 through 5. Notwithstanding these impediments to managing grant funds provided to SCCDS, DCOA did not effectively: (1) provide proper monitoring of SCCDS's performance; (2) provide adequate oversight of financial accountability; and (3) have adequate knowledge of terms, conditions, and stipulated guidelines of the grant agreement.

**Monitoring of Grantee Performance.** Our review found that DCOA neither properly monitored the grantee nor established written criteria for grant monitoring. The absence of grant monitoring allowed SCCDS to conduct activities that were not always consistent with District laws, rules, and regulations. DCOA's inadequate monitoring allowed SCCDS to provide services to the District's elderly under the following circumstances:

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## FINDINGS AND RECOMMENDATIONS

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- SCCDS operated without a proper District business license.
- SCCDS provided food services to the elderly without required food handler certifications.
- SCCDS operated while its Articles of Incorporation were revoked by a Mayoral Proclamation.
- SCCDS operated without maintaining or following established corporate bylaws.
- SCCDS operated without establishing an active and viable<sup>1</sup> Board of Directors.

Written procedures would aid in establishing an organized and professional relationship with SCCDS. Further, DCOA should have validated that SCCDS possessed a current business license. Establishing grant monitoring criteria would help to ensure that the conditions of the grant were performed in compliance with governing guidelines.

**Oversight of Financial Accountability.** Our review showed that internal controls were not in place to provide assurance that payments DCOA made to SCCDS were for services required by the grant and in the proper and correct amounts. DCOA did not require SCCDS to maintain and provide documentation to ensure that requests for financial reimbursement for services rendered were valid. Accordingly, DCOA consistently made payments to SCCDS without proper documentation to support claims for reimbursement. We determined that DCOA provided financial reimbursements in calendar year 2002 amounting to \$298,066 for services that were not supported by valid documentation. Finding 3 addresses more fully the problems associated with SCCDS's inability to adequately document its claims for reimbursement.

**Knowledge of Terms and Conditions of Stipulated Guidelines.** During our audit, we reviewed the applicable criteria to be used for providing services to the elderly. These guidelines included the Grant Agreement, the Grants Management Manual, the DCOA Audit Guide, and the DCOA Handbook. We reviewed these documents to obtain a clear and concise understanding of how the grant is to be managed and operated. However, our audit found that DCOA grants management personnel were not aware of all applicable rules and regulations governing grants.

We conferred with DCOA on several occasions to discuss SCCDS's use of grant funds and shared with DCOA grants management personnel some of SCCDS's practices that we observed during the audit. These practices included: (1) SCCDS's use of a non-District licensed CPA; (2) SCCDS's involvement in participant travel beyond District limits;

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<sup>1</sup> For the purpose of this report, an active and viable Board of Directors is one that is created under, and functions in accordance with, the bylaws of the organization.

## **FINDINGS AND RECOMMENDATIONS**

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(3) SCCDS's use of grant funds to employ a paralegal to provide financial, legal, and tax services; and (4) SCCDS's operation as a non-profit business without a charitable solicitation license. DCOA grants management personnel stated that they were not aware that some of these actions were in violation of the grant. For further detail, see Finding 2 regarding SCCDS's business practices and Finding 3 concerning SCCDS's compliance with grantee requirements for independent audits.

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## FINDINGS AND RECOMMENDATIONS

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### FINDING 2: SCCDS BUSINESS PRACTICES

#### SYNOPSIS

Our review of SCCDS operations revealed that SCCDS was not operating in a manner that exhibited prudent business practices and, in some instances, failed to comply with the requirements of laws, regulations, and grant provisions. The fiduciary agent for SCCDS's financial operations did not provide effective oversight in accordance with the terms of its fiduciary agreement with SCCDS. SCCDS did not operate under proper District licensure and did not obtain the required food handler certificates. For a period of time, SCCDS's Articles of Incorporation were revoked by a Mayoral Proclamation; SCCDS did not follow or maintain bylaws; and SCCDS did not establish an active and participating Board of Directors. As a result, there is no assurance that SCCDS was providing services for senior citizens in a manner that was consistent with the District's regulatory practices, or that SCCDS limited potential risks to the District and its elderly population.

#### DISCUSSION

**Articles of Incorporation and District Licensure.** During our audit, we found that SCCDS's Articles of Incorporation and authority to conduct business (Certificate) in the District of Columbia had expired on January 15, 2002; nevertheless, SCCDS continued to operate and conduct business without the authority to do so for 12 months. SCCDS's Certificate and Articles of Incorporation were revoked on September 9, 2002, by Mayoral Proclamation, pursuant to the District of Columbia Nonprofit Corporation Act, for failing and/or refusing to file reports and pay fees to the Department of Consumer and Regulatory Affairs (DCRA).<sup>2</sup> SCCDS was required to re-file its Articles of Incorporation and business Certificate by January 15, 2002. Although SCCDS operated without Articles of Incorporation and Certificate, DCOA paid grant funds to an organization that was not recognized by the District of Columbia as a legitimate business.

Our inquiries into SCCDS's business practices prompted DCRA's Compliance and Enforcement Department to issue a notice of infraction to SCCDS for operating a business in the District without proper licensure. During our audit, SCCDS submitted an application and petition for reinstatement of Articles of Incorporation for non-profit corporations, and was granted a Certificate of Reinstatement on January 23, 2003.

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<sup>2</sup> The Mayoral District-wide Proclamation is conducted once a year in the month of September.

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## FINDINGS AND RECOMMENDATIONS

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**Food Handler Certification.** DCOA's site criteria guidebook, "Congregate Nutrition and Supportive Services", requires all food handlers to be certified by DCRA. Also, 25 DCMR § 200.1 provides that "[t]he licensee shall be the person in charge or shall designate a person in charge, who will serve as an on-site manager or supervisor, and the licensee shall ensure that a person in charge is present at the food establishment during all hours of operation." We found that SCCDS provided noonday congregate meals to senior participants at four nutrition centers and one geriatric day treatment center without obtaining food handler certificates for at least one staff member at each site. Specifically, according to a Nutrition Site Visit Report prepared by DCOA, pursuant to a site visit conducted on April 11, 2003, SCCDS's headquarters was cited for not having staff equipped with food handler certificates. We found that some staff members who did not possess food handler certifications prepare food for distribution. Consequently, DCOA had no assurance that food provided to the elderly was done so in accordance with District guidelines and food certification requirements to ensure the health and safety of senior citizens.

**Corporate Bylaws and Board of Directors.** SCCDS maintains a set of corporate bylaws, which serve as guidelines for operating and conducting the business of the organization. Its bylaws, Articles I through XI, cover such issues as the principal place of business, the subject and purpose of the organization, the nature of its business, its powers and duties, and finances. The bylaws specifically provide that the affairs of SCCDS shall be managed by its Board of Directors, which establishes all policies and controls SCCDS property. In addition, the bylaws establish three standing committees: (1) Program Development, (2) Personnel, and (3) Resource Development.

Our review of SCCDS's bylaws found that they were not signed and dated and Article V (title unknown) was not included. We questioned the Chairman of the Board about these issues; however, he was unable to provide any explanations. Our review found that over a 2-year period, SCCDS only had two board meetings, and there was no evidence of committee meetings. The absence of board and committee meetings indicates that its board is not actively managing SCCDS. SCCDS provided us with a listing of its current board members, which indicated that there were twelve members. We were able to contact ten members of the board for the purpose of obtaining background information about the board and the operations of SCCDS. During our contacts, five of the individuals listed as board members stated that they, in fact, were not board members of SCCDS.

We met with the Treasurer of the Board to obtain an understanding of the financial practices of the organization. According to this member, she has not had contact with SCCDS for quite some time, even though the bylaws indicate that the treasurer is responsible for all funds and property of the organization and for supervising the manner in which financial records are maintained. We also found that there was a check-signing stamp with the treasurer's name on it that was being used to endorse SCCDS checks. When questioned, however, the treasurer stated that she was not aware that her name was being stamped on checks for payment as an authorized signatory. Further review of the check signature stamps

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## FINDINGS AND RECOMMENDATIONS

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revealed that some checks were also stamped with the name of an individual who is deceased. The deceased individual was a previous board member who also served as treasurer.

**Fiduciary Agent Oversight.** Since September 17, 2001, the United Planning Organization (UPO) has served as fiduciary agent for SCCDS. DCOA appointed UPO because SCCDS failed to fully cooperate with an independent auditor's review. DCOA's concerns about SCCDS's finances grew during the course of the audit when SCCDS would not provide the necessary materials for the independent auditors to complete their review. As a result, DCOA had no confidence that funds paid to SCCDS were being used to support services to the seniors as outlined in the Notification of Grant Award. According to DCOA, it named UPO as the fiduciary agent for SCCDS in order to protect both District and federal funds.

As fiduciary agent, UPO serves as trustee over and has total responsibility for DCOA funds paid to SCCDS. UPO serves as a pass-through agency to which DCOA issues payments for services rendered by SCCDS.

On December 19, 2001, UPO and SCCDS entered into a Memorandum of Understanding (MOU) to help strengthen the financial practices of SCCDS, develop coordination and accessibility of resources and services, and foster prudent financial and sound managerial procedures for succinct service delivery.

Some of the responsibilities agreed to by SCCDS and UPO in the MOU were as follows:

- SCCDS will submit a copy of the CURT Report<sup>3</sup> to UPO on the 10<sup>th</sup> of each month outlining program operations during the previous month;
- SCCDS will meet monthly and communicate regularly with the Executive Director of UPO to review program operations, financial management processes, and other issues;
- SCCDS and UPO will work to bring closure to the fiduciary arrangement on or before January 31, 2002; and
- UPO will establish procedures for disbursement of DCOA funds to SCCDS in accordance with the monthly Georgetown Reports<sup>4</sup> and internal UPO reimbursement procedures.

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<sup>3</sup> The CURT Report is a monitoring tool to ensure that the grantee is meeting its goals and objectives.

<sup>4</sup> The Georgetown Report is a monthly, computer-generated, statistical report prepared by Georgetown University Hospital that summarizes all units of services claimed by grantees for financial reimbursement from DCOA. These services are contracted by DCOA.

## **FINDINGS AND RECOMMENDATIONS**

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The hope was that SCCDS would reach a level of fiscal responsibility that would allow the organization to return to its full authority in 3 to 5 months. However, at the close of our fieldwork on July 18, 2003, UPO still functioned as the fiduciary agent because the anticipated level of SCCDS's financial assurance and fiscal responsibility had not been attained. The UPO Executive Director stated that he attempted to carry out his role and responsibilities in meeting the goals of the MOU but was met with resistance.

After discussions with employees from UPO, we found that the only documentation that UPO required SCCDS to provide were the bi-weekly employee time reports. SCCDS was not required to submit any documentation to substantiate requests for reimbursement for the units of services provided. There was no evidence that regular communication or monthly meetings occurred between SCCDS and UPO.

We concluded that the appointment of UPO as SCCDS's fiduciary agent has not had a positive impact on SCCDS's financial practices, and provided no assurance to DCOA that grant funds were being used to support services to senior citizens in Ward 8. We believe UPO's inability to enforce the terms of the MOU requires DCOA to reexamine the efficacy of UPO as fiduciary for SCCDS's financial resources and to set timelines for obtaining compliance with the terms of the MOU.

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## FINDINGS AND RECOMMENDATIONS

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| <b>FINDING 3: ACCOUNTING FOR AND SUPPORTING SCCDS CLAIMS FOR REIMBURSEMENT AND SERVICES RENDERED</b> |
|--|

### SYNOPSIS

SCCDS services provided to the District's elderly residents were not performed in accordance with existing procedures and guidelines, and SCCDS could not adequately account for the services rendered. In addition, the District likely overpaid SCCDS for several service categories. These conditions existed because SCCDS did not maintain sufficient documentation to support claims for reimbursement, did not notify DCOA of variances in project activity, charged elderly residents for free meals delivered to them, and sold "free meals" at their service centers. Further, SCCDS overreported and was overreimbursed for meals served, inappropriately charged senior citizens to participate in the free Geriatric Daycare Program, and provided prohibited services to the elderly that were charged to DCOA. As a result, the District's elderly residents, among the most needy in the District, paid for services that were to be provided free of charge. Further, the District paid for services, the costs of which were inflated<sup>5</sup>, unsupported, prohibited, or otherwise not in accordance with DCOA standards, guidelines, or the grant agreement.

### DISCUSSION

DCOA Service Standards provide grantee program requirements and instructions on administering grants and providing services to the District's senior citizens. In addition, DCOA Service Standards provide operating standards for each of the units of service<sup>6</sup> supported by the DCOA grant. Grantees are required to provide services in conformity with the Office on Aging Service Standards and terms of their grant agreements. Grantees must assure and certify compliance with District and federal laws, program requirements, and other administrative requirements.

**Insufficient Documentation.** We evaluated the supporting documentation for SCCDS's claims for reimbursement for the period of January 1, 2002, through December 31, 2002, and found that SCCDS could not provide documentation to support all of its claims for financial reimbursement. The following table (Table II) shows the variance between the units that we reviewed and the units reported to DCOA for financial reimbursement. The table also shows that DCOA reimbursed SCCDS \$298,066 for unsupported claims<sup>7</sup> for services provided to senior citizens at 5 sites in Ward 8 of the District.

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<sup>5</sup> Costs were inflated because the actual number of units of service provided was less than the number of units of service reported for reimbursement.

<sup>6</sup> Units of service vary depending upon the type of service provided and are specifically defined within each service standard.

<sup>7</sup> Unsupported claims are claims for which SCCDS provided no documentation or partial documentation (such as activity sign-up sheets, nutrition sign-in sheets, and rosters).

## FINDINGS AND RECOMMENDATIONS

**Table II: Evaluation of SCCDS Reimbursements from January 1, 2002, to December 31, 2002**

| <b>Senior Citizens Counseling &amp; Delivery Service/2451 Good Hope Rd, SE</b> |                           |                                       |          |              |              |
|--|---------------------------|---------------------------------------|----------|--------------|--------------|
| Services   | Units Reimbursed to SCCDS | Units Supported By Audit <sup>8</sup> | Variance | Payment Rate | Unsupported  |
| 1 Congregate Meals   | 15,731                    | 7,998                                 | (7,733)  | 1.53         | \$11,831.49  |
| 2 Counseling   | 18,226                    | 2,330                                 | (15,896) | 6.92         | \$110,000.32 |
| 3 Health Promotion   | 11,804                    | 7,330                                 | (4,474)  | 1.76         | \$7,874.24   |
| 4 Recreation/Socialization   | 21,611                    | 17,207                                | (4,404)  | 0.91         | \$4,007.64   |
| 5 Transportation Home Del. Meals   | 21,778                    | 0                                     | (21,778) | 2.21         | \$48,129.38  |
| 6 Transportation Site/Activities   | 25,151                    | 12,286                                | (12,865) | 2.41         | \$31,004.65  |
| 7 Home Delivery Meal Wkday   | 25,940                    | 0                                     | (25,940) | 0.65         | \$16,861.00  |
| 8 Home Delivery Meal Wkend   | 5,342                     | 0                                     | (5,342)  | 0.77         | \$4,113.34   |

  

| <b>SCCDS Geriatric Alzheimer Adult Daycare</b> |                           |                          |          |              |             |
|--|---------------------------|--------------------------|----------|--------------|-------------|
| Services                                       | Units Reimbursed to SCCDS | Units Supported By Audit | Variance | Payment Rate | Unsupported |
| 1 Congregate Meals                             | 10,162                    | 8,886                    | (1,276)  | 1.53         | \$1,952.28  |
| 2 Geriatric Daycare                            | 16,310                    | 13,225                   | (3,085)  | 5.18         | \$15,980.30 |

  

| <b>Knoxhill Senior Dwellings</b> |                           |                          |          |              |             |
|----------------------------------|---------------------------|--------------------------|----------|--------------|-------------|
| Services                         | Units Reimbursed to SCCDS | Units Supported By Audit | Variance | Payment Rate | Unsupported |
| 1 Congregate Meals               | 6,455                     | 4,883                    | (1,572)  | 1.53         | \$2,405.16  |
| 2 Health Promotion               | 2,322                     | 426                      | (1,896)  | 1.76         | \$3,336.96  |
| 3 Recreation/Socialization       | 16,286                    | 0                        | (16,286) | 0.91         | \$14,820.26 |

  

| <b>Claibourne Senior Site</b> |                           |                          |          |              |             |
|-------------------------------|---------------------------|--------------------------|----------|--------------|-------------|
| Services                      | Units Reimbursed to SCCDS | Units Supported By Audit | Variance | Payment Rate | Unsupported |
| 1 Congregate Meals            | 2,870                     | 2,198                    | (672)    | 1.53         | \$1,028.16  |
| 2 Health Promotion            | 2,791                     | 0                        | (2,791)  | 1.76         | \$4,912.16  |
| 3 Recreation/Socialization    | 5,564                     | 0                        | (5,564)  | 0.91         | \$5,063.24  |

  

| <b>Rehoboth Baptist Church</b>     |                           |                           |          |              |             |
|------------------------------------|---------------------------|---------------------------|----------|--------------|-------------|
| Services                           | Units Reimbursed to SCCDS | Units Supported Per Audit | Variance | Payment Rate | Unsupported |
| 1 Congregate Meals                 | 4,497                     | 1,740                     | (2,757)  | 1.53         | \$4,218.21  |
| 2 Health Promotion                 | 301                       | 0                         | (301)    | 1.76         | \$529.76    |
| 3 Recreation/Socialization         | 6,172                     | 0                         | (6,172)  | 0.91         | \$5,616.52  |
| 4 Transportation Site & Activities | 1,818                     | 0                         | (1,818)  | 2.41         | \$4,381.38  |

  

|              |  |  |  |  |                     |
|--------------|--|--|--|--|---------------------|
| <b>TOTAL</b> |  |  |  |  | <b>\$298,066.45</b> |
|--------------|--|--|--|--|---------------------|

<sup>8</sup> The boxes that contain zeros indicate instances where SCCDS did not provide any documentation to support claims to DCOA for financial reimbursement.

## FINDINGS AND RECOMMENDATIONS

**Changes in Project Activity.** Our review of units of service reported by SCCDS on the Georgetown Report to DCOA during FY 2002 showed that significant monthly variances occurred in the number of services provided. DCOA's Grants Management Manual requires that DCOA be notified by SCCDS when variances of more than ten percent occur from month to month. Specifically, DCOA's Grant Management Manual, Chapter 1, Section F(3)(b) provides:

When changes in the project result in an increase/decrease of more than 10 [percent] in the anticipated project costs, the grantee shall notify the Office on Aging. A request for an increase/decrease for the approved budget or project costs must be accompanied with a revised budget and project objectives citing any changes in project activity.

We found that SCCDS did not notify DCOA as required; rather, reimbursement for services was routinely provided without question. For example, in November 2002, SCCDS reported that 1,695 units of service for Home-Delivered Meals were provided to elderly residents. In the following month, December 2002, SCCDS reported 7,492 units of service for the same service, a 342 percent increase. SCCDS offered no explanation of this and other variances.

Table III below shows four units of service that SCCDS provided to senior citizens during calendar year 2002 and the variances of the number of units of services that SCCDS certified as providing from month to month. We found no evidence that during this time, DCOA raised any concerns about the variances in service levels.

**Table III: Analysis of Variance for the Year 2002**

| Month     | Congregate Meals |             | Health Promotion |             | Home-Delivered Meals |             | Recreation/Socialization |             |
|-----------|------------------|-------------|------------------|-------------|----------------------|-------------|--------------------------|-------------|
|           | Units            | % of Change | Units            | % of Change | Units                | % of Change | Units                    | % of Change |
| January   | 1,664            | —           | 1,154            | —           | 1,791                | —           | 1,297                    | —           |
| February  | 1,100            | -33.89%     | 614              | -46.79%     | 1,462                | -18.37%     | 1,758                    | 35.54%      |
| March     | 1,246            | 13.27%      | 263              | -57.17%     | 1,739                | 18.95%      | 1,840                    | 4.66%       |
| April     | 940              | -24.56%     | 205              | -22.05%     | 1,857                | 6.79%       | 2,367                    | 28.64%      |
| May       | 1,380            | 46.81%      | 874              | 326.34%     | 1,856                | -0.05%      | 2,567                    | 8.45%       |
| June      | 1,638            | 18.70%      | 1,108            | 26.77%      | 843                  | -54.58%     | 1,784                    | -30.50%     |
| July      | 1,282            | -21.73%     | 1,437            | 29.69%      | 1,806                | 114.23%     | 2,443                    | 36.94%      |
| August    | 1,761            | 37.36%      | 1,416            | -1.46%      | 1,929                | 6.81%       | 1,736                    | -28.94%     |
| September | 1,241            | -29.53%     | 1,346            | -4.94%      | 1,684                | -12.70%     | 1,459                    | -15.96%     |
| October   | 1,263            | 1.77%       | 889              | -33.95%     | 1,786                | 6.06%       | 1,206                    | -17.34%     |
| November  | 1,184            | -6.25%      | 995              | 11.92%      | 1,695                | -5.10%      | 1,726                    | 43.12%      |
| December  | 1,032            | -12.84%     | 1,503            | 51.06%      | 7,492                | 342.01%     | 1,428                    | -17.27%     |
| Average   |                  | 20.56%      |                  | 51.01%      |                      | 48.80%      |                          | 22.28%      |

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## FINDINGS AND RECOMMENDATIONS

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**Charging Elderly Participants Fees for Free Meals.** DCOA contracted with a caterer to provide an unlimited number of congregate and home-delivered meals to SCCDS at no charge to SCCDS. DCOA Service Standards require meal recipients to be given the opportunity to contribute to the cost of the meals in an anonymous manner. All congregate nutrition sites, including those that provide home-delivered meals, must post a sign or provide notice of the suggested contribution amount. The Voluntary Contribution Policy Memorandum for Nutrition Programs provides:

The following statement will be posted at all congregate nutrition sites and included with home-delivered meals. The cost of this meal is approximately \$4.00. We welcome a suggested donation of \$1.00. Donations will be used to serve more people. No one will be denied a meal if they are unable to make a donation.

Our audit found that SCCDS charged senior citizens to participate in the congregate meal and home-delivered meal service. Senior citizens were required to purchase a \$1.00 ticket each day in order to receive a meal. Senior citizens that participated in the home-delivered meal program were billed monthly. SCCDS would notify and provide bills to senior citizens indicating the balance due, including past due amounts (i.e., 30, 60, 90 days overdue). We found that at least four senior citizens participating in the home-delivered meal service were terminated when they could not afford to pay. We conducted a telephone survey where we contacted 38 senior citizens who receive home-delivered meals to determine whether they believed the notices for payment from SCCDS was a bill rather than a notice suggesting a donation. We found that 37 of the senior citizens contacted believed that they were being billed by SCCDS. Those senior citizens believed that if they did not provide payment, the meals would no longer be provided.

**SCCDS Selling Free Meals.** Our audit revealed that SCCDS ordered more meals than the number of senior citizens participating in the congregate meal program. During a 4-day period, we counted the daily number of congregate meal participants at 1 SCCDS site and found that on average, 15 senior citizens ate meals; however, on those days, SCCDS ordered 57 meals. We determined that the standard number of meals ordered for this site through our audit period was 57 meals. SCCDS's management had no reasonable explanation as to why 42 extra meals a day were ordered.

We noted that the SCCDS site operated a brisk "carry-out" trade<sup>9</sup> of selling meals. DCOA Service Standards for Congregate Meals, provides:

Service is available to all residents of the District of Columbia age 60 and over and to their spouse if he or she attends the nutrition center with the

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<sup>9</sup> SCCDS was selling meals to individuals daily on a walk-in basis. We observed that individuals would come into the site, purchase a meal, and then leave with the meal.

## FINDINGS AND RECOMMENDATIONS

elderly person. Eligibility is targeted to older people with the greatest economic or social need, with special attention given to low-income minorities.

The grantee agency shall reconcile the records of nutrition centers and the caterer to make sure the number of meals delivered agrees with the number of meals received. The grantee agency shall maintain records, reserve meals, collect contributions from centers, prepare reports, and perform other administrative activities necessary to see that congregate meal services are provided.

Also, participants, family members, and/or caretakers shall be informed of the cost of providing congregate meal service and shall be offered the opportunity to make voluntary contributions to help defray the cost, thereby making additional service available to others.

We witnessed individuals, such as office workers and individuals from the neighborhood, coming to the site, purchasing meals, and carrying them away from the premises. SCCDS even posted a sign that stated, "All Center participants, staff and Maryland residents under 60 years of age must pay \$3.25." The SCCDS site even employed a system where, after payment, a blue ticket was given to the purchaser as a receipt to inform the food server that the meal had been purchased. This practice of selling meals was not consistent with the intent of DCOA's Service Standards for Congregate Meals to provide free meals to eligible participants.

Using all available data, we compared the number of meals ordered at each of SCCDS's Nutrition Sites to the Nutrition Site's meal rosters for the period of January 1, 2002, through December 31, 2002. We found that SCCDS ordered approximately 10,842 more meals than were consumed by senior citizens. Because DCOA pays for the meals ordered by SCCDS, DCOA paid the caterer \$44,344 more for congregate meals than was necessary to meet site requirements, as shown below.

**Table IV: Summary of Costs for Extra Meals Ordered by SCCDS**

| Cost to DCOA for Extra Meals Ordered by SCCDS for the 12-Month Period Ending December 31, 2002 |               |                |                     |               |                     |
|--|---------------|----------------|---------------------|---------------|---------------------|
| SITE   | Meals Ordered | Meals Consumed | Extra Meals Ordered | Cost Per Meal | Cost of Extra Meals |
| Senior Citizens Counseling & Delivery Services   | 12,243        | 7,998          | 4,245               | 4.09          | \$17,362.05         |
| SCCDS Geriatric Alzheimer Adult Daycare  | 11,846        | 8,886          | 2,960               | 4.09          | \$12,106.40         |
| Knoxhill Senior Dwellings  | 6,568         | 4,883          | 1,685               | 4.09          | \$6,891.65          |
| Claibourne Senior Site   | 3,405         | 2,198          | 1,207               | 4.09          | \$4,936.63          |
| Rehoboth Baptist Church  | 2,485         | 1,740          | 745                 | 4.09          | \$3,047.05          |
|  | 36,547        | 25,705         | 10,842              |               | \$44,343.78         |

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## FINDINGS AND RECOMMENDATIONS

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**Over-Reporting and Over-Reimbursement of Meals Served to Elderly.** Our review found documentation, certified by SCCDS, that showed that the number of meals reported to DCOA did not match the number of senior citizens reported on the Nutrition Sign-In Sheet. The Nutrition Sign-In Sheet is the SCCDS document of record for congregate meal participants. In evaluating the validity of claimed reimbursements, we determined that SCCDS claimed two to three times more than the actual number of senior citizens on the Nutrition Sign-In Sheet. For example, during the month of August 2002 at one site, the Nutrition Sign-In Sheet reported SCCDS served 566 meals for the month; however, in its reimbursement claim, SCCDS reported to DCOA that they provided 1,761 meals (1,761 units of service) to senior citizens, which is over 3 times the actual number of meals served. SCCDS was reimbursed three times more than they were entitled. We issued a Management Alert Report (MAR) No. 03-A-02, dated May 16, 2003, outlining and describing our testing in this area. The MAR is included at Exhibit B.

The purpose of the MAR was to alert the DCOA Executive Director that SCCDS could not provide documentation to support claims for reimbursement for certain services. We recommended in the MAR that: (1) DCOA recoup, as appropriate, all DCOA funds paid to SCCDS for claims not supported by adequate documentation; and (2) DCOA reimburse SCCDS only for claims that are adequately supported.

DCOA provided a response on June 2, 2003, to the MAR, stating that DCOA had developed an extensive audit program to validate the information from grantee created rosters submitted to initiate billing for services and to conduct audits on a rotating three-year cycle. The purpose of these audits is to ensure that grantee requests for reimbursement are adequately supported; services provided to senior citizens are valid services and client intake forms are accurate; and any amounts billed and paid without supporting documentation will be deducted from grant funds. The audit program addresses our concerns regarding the MAR's second recommendation. However, DCOA did not address what actions will be taken to recoup funds paid to SCCDS for unsupported claims.

**Geriatric Day Care.** Our review determined that SCCDS inappropriately charged senior citizens, who were not Medicaid recipients, to participate in the Geriatric Day Care Program, which is to be provided free of charge to all eligible senior citizens. Under the terms of the DCOA grant agreement, SCCDS was paid for providing geriatric daycare services; transportation services to the site; and other activities for participants in the program. DCOA Service Standards for Geriatric Day Care provides the following:

Geriatric day care funded by the D.C. Office on Aging is available only to functionally impaired District of Columbia residents 60 years of age or older who are able to maintain themselves with some assistance, who are not bedfast, and who represent no threat to themselves or others. In particular, priority shall be given to those individuals most socially and economically disadvantaged, particularly low-income minority elderly. Also, participants, family members,

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## FINDINGS AND RECOMMENDATIONS

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and/or caretakers shall be informed of the cost of providing geriatric day care services and shall be offered the opportunity to make voluntary contributions to help defray the cost, thereby making additional service available to others.

According to SCCDS, seniors who did not receive Medicaid assistance but were eligible for free service under the DCOA grant were required to make a monthly payment of \$250 in order to pay for the snack, hot lunch, transportation, and arts and craft supplies provided on a daily basis. However, recreation and socialization services provided to geriatric day care participants by SCCDS were all paid by DCOA, and daily hot lunches were provided by DCOA under a contract with Nutrition, Inc. On average, SCCDS collected \$2,688 a month from geriatric day care program participants. According to DCOA Service Standards, SCCDS must inform participants, family members, and/or caretakers of the cost of providing geriatric daycare services and offer them the opportunity to make a voluntary contribution to help defray costs. SCCDS adopted a much stronger approach than a mere request for donations. Senior citizens ineligible for Medicaid but participating in the Geriatric Daycare are not required to pay for this service but were, nevertheless, charged by SCCDS.

**Recreation/Socialization.** Our review also determined that SCCDS violated governing rules and guidelines by holding trips/activities for District senior citizens and ineligible individuals outside of the boundaries of the District. Pursuant to DCOA Grant Agreements, grant recipients are required to assure and certify their “adhere[nce] to the D.C. Office on Aging mandate that all participant travel, for reimbursement purposes, will not extend beyond the District limits.” Service Standards for Recreation and Socialization also states that “[r]ecreation and socialization service funded by the D.C. Office on Aging is available only to District of Columbia residents 60 years of age or older.” In addition, Service Standards for Transportation to Site and Activities under Prohibited Service Components provides that: “For purposes of Office on Aging planning and reimbursement, transportation to sites and activities may not include: [p]roviding transportation for an ineligible individual, and [p]roviding transportation beyond the boundaries of the District of Columbia.”

SCCDS provided trips outside of the District for social/recreation units of service to participants and non-participants; however, the total number of participants receiving the services that SCCDS recorded and reported to DCOA was listed as eligible District senior citizens. Further, SCCDS requested reimbursement from DCOA for providing recreation/socialization and transportation services for everyone, including non-participants.

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## FINDINGS AND RECOMMENDATIONS

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Non-participants were reported to DCOA as eligible guests<sup>10</sup>; however, based on the information provided, we could not verify that the non-participants were actually eligible guests that met the eligibility requirements in the DCOA Service Standards.

The units of service<sup>11</sup> reported to DCOA by SCCDS for recreation/socialization activities consisted mostly of trips outside of the District. It was apparent that SCCDS's intent was to demonstrate that SCCDS was meeting program objectives of providing recreation/socialization activities to a large number of senior citizens. In actuality, SCCDS provided these services to a very small number of elderly participants. For example, on November 23, 2002, SCCDS took 47 people to New York to see a play titled, "HARLEM SONG." Each person paid \$90 to attend the play and the trip was 14 hours long. Eight senior citizens were SCCDS clients. The other 39 participants were listed as eligible guests. SCCDS reported all 47 people as each receiving 14 hours of Recreation/Socialization and 2 units of Transportation Site and Activities. Therefore, in one day, SCCDS claimed 658 (47 x 14 hours) units of Recreation/Socialization and 94 (47 x 2 hours) units of Transportation Site/Activities. This activity generated a total of \$5,256, which included SCCDS requesting reimbursement from DCOA in the sum of \$1,026 for Recreation/Socialization and Transportation associated with this trip. SCCDS received \$4,230 (\$90 x 47 = \$4,230) from participants of the trip, including the senior citizens.

**Providing Prohibited Services.** SCCDS provided financial, legal, and tax services to participants in contradiction of the DCOA Service Standards for Counseling. DCOA's Service Standards for Counseling under Prohibited Service Components states, "For purposes of Office on Aging planning and reimbursement, counseling service may not include ... [p]roviding medical, financial, legal, or other service or advice (except for referral to qualified agencies or programs)."

Notwithstanding the service standards, SCCDS employed a paralegal at the rate of \$20 an hour, totaling \$4,160 during our audit period. The paralegal offered services to senior citizens that included preparing wills, power of attorney designations, personal income tax filings, mortgage advice/referrals, social security issues, sales of property, and other similar services. SCCDS reported these services to DCOA as counseling services for financial reimbursement. SCCDS may only seek reimbursement for referrals to other organizations in the District of Columbia qualified to provide such services to senior citizens. Therefore, SCCDS violated DCOA Service Standards for Counseling by employing an individual to provide services such as financial and legal counseling, and tax preparation.

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<sup>10</sup> An eligible guest is a person who is qualified to participate in the services, but has not gone through the admission and intake process, or has not provided his/her Social Security Number, for certain reasons. This definition of an eligible guest was provided by the Executive Director of SCCDS. We confirmed this definition with DCOA management, who agreed with SCCDS's definition; however, there was no written documentation available to validate the definition.

<sup>11</sup> The unit of service for transportation to sites and activities is a one-way trip provided to one eligible participant. The unit of service for recreation and socialization is one 1-hour session provided to one eligible participant.

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## FINDINGS AND RECOMMENDATIONS

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| <b>FINDING 4: ENFORCING GRANTEE COMPLIANCE WITH INDEPENDENT<br/>AUDIT REQUIREMENTS AND RESULTS</b> |
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### SYNOPSIS

DCOA has encountered difficulty in enforcing SCCDS compliance with Office of Management and Budget (OMB) Circular No. A-133 and other regulations. This occurred because SCCDS did not submit audit reports on its financial statements to DCOA that met OMB A-133 and DCOA guidelines and the audit reports of SCCDS's financial statements were completed by CPA firms that were not licensed in the District. Further, DCOA did not ensure that SCCDS took corrective actions on repetitive deficiencies reported by CPA firms on audits conducted since FY 1999. As a result, DCOA had no assurance that the financial position of SCCDS was sound and that funds were accounted for and expended in accordance with grant terms and conditions. Also, the absence of corrective actions on reported findings and conditions could lead to material misstatements in the financial statements, and material errors and irregularities could remain undetected.

### DISCUSSION

DCOA requires all grantees to have an annual audit. The audit must be conducted in accordance with generally accepted auditing standards, the Comptroller General's Standard for Audit of Government Program Activities and Functions, the Office on Aging Audit Guide, and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations." DCOA's requirement for the performance of annual audits helps to ensure that grantees have established and maintained accounting systems and internal controls to ensure that:

- funds have been accounted for and expended in accordance with grant terms and conditions;
- the agency has complied with District and federal laws, rules, and regulations;
- District or federal funds have been earned;
- costs incurred are allowable and allocable under the terms of the grant;
- assets are safeguarded against waste, fraud and inefficiency, and that the system of internal controls promotes accuracy and reliability of accounting and financial reporting; and
- completed financial reports present fairly the results of operations.

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## FINDINGS AND RECOMMENDATIONS

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**Submission of OMB A-133 Compliant Audit Reports.** The annual Notification of Grant Award most recently issued to SCCDS on September 27, 2002, states:

Annual audits must be in compliance with OMB Circular [No.] A-133 and the D.C. Office on Aging audit guidelines. The audit report for the year ended September 30 must be received in the D.C. Office on Aging by the close of business March 31<sup>st</sup>, or funding will be suspended for the third quarter. The Audit report must cover the grant period October 1 – September 30.<sup>12</sup>

According to DCOA's management, they continued to let SCCDS provide the needed services to senior citizens under the oversight of the fiduciary agent. DCOA expressed confidence that, absent the required audit oversight, that the fiduciary agent would exercise full fiduciary control over SCCDS operations. We do not share in this confidence due to the fiduciary's inability to exercise true fiduciary control over SCCDS, as previously discussed in Finding 2 of this audit report. For both FYs 2001 and 2002, SCCDS missed the March 31<sup>st</sup> deadline for the submission of audit reports for the preceding year. DCOA was not prudent in accepting the auditor's report on SCCDS financial statements for FY 2001 because the report failed to include pertinent information that would impact the financial statements for that fiscal year. Additionally, at the end of our fieldwork, SCCDS had not submitted to DCOA audited financial statements for FY 2002. Consequently, and with DCOA's approval, the fiduciary agent engaged another CPA firm in October 2002 to perform the FY 2001 and FY 2002 audits of SCCDS's financial statements.<sup>13</sup>

**Follow-up and Corrective Action Not Taken on Repeated Audit Findings.** DCOA did not ensure that SCCDS took corrective action on audit findings reported in their annual audited financial statements. Although SCCDS indicated that corrective actions were completed, repetitive CPA firms reported the same deficiencies as reportable conditions in each year's financial statement report. DCOA's Audit Guide requires grantees to comply with the OMB Circular No. A-133 to ensure that follow-up and corrective actions are provided for audit findings. OMB Circular No. A-133 Subpart C-Auditees § \_\_.315 provides, in part:

The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings. The auditee shall also prepare a corrective action plan for current year audit findings....

In addition, the OMB Circular No. A-133 requires agencies, such as DCOA, to ensure that sub recipients (SCCDS) follow-up and take corrective actions in response to audit findings:

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<sup>12</sup> If DCOA had initiated a suspension of SCCDS, the suspension would remain in effect until an audit report that met the DCOA audit guidelines and OMB Circular No. A-133 requirements had been received by DCOA.

<sup>13</sup> DCOA awarded SCCDS the grant without audited financial statements, which is not in accordance with DCOA's Notification of Grant Award.

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## FINDINGS AND RECOMMENDATIONS

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A pass-through entity [e.g., grantor organization] shall perform the following for the Federal awards it makes: Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

OMB Circular No. A-133 § \_\_.400(d)(5).

Audited financial statements of SCCDS for the past 5 years have reported similar and, in some cases, exact findings that were reported in previous years. Audit findings reported in financial audits performed since FY 1998 included: (1) inaccurate accounting records; (2) costs not properly allocated between programs; (3) transactions not supported by proper documentation; (4) current, fixed, monthly expenditures exceeding current monthly revenue; and (5) federal program funds used to fund non-federal programs.

Exhibit D outlines findings and recommendations from five audit reports prepared by three separate CPA firms, showing how similar in nature the findings and recommendations have been over a 5-year period. Although SCCDS continued to state that they resolved the findings and recommendations, the findings were repeated, remained unresolved, and corrective actions were not implemented.

Because DCOA has not ensured that SCCDS actually implemented corrective actions on repeat findings and recommendations, DCOA has no assurance that SCCDS's financial position is sound and that funds are being accounted for and expended in accordance with grant terms and sound accounting principles.

DCOA requires that grantees comply with the Office on Aging's Audit Guide, which states that grantees must have an annual audit performed by a CPA that is licensed to practice in the District of Columbia.<sup>14</sup> SCCDS, however, repeatedly engaged CPA firms that were not licensed in the District to conduct audits and to prepare their financial statements. These CPA firms were licensed in the states of New Jersey, Maryland, and Virginia. DCOA did not verify that SCCDS had engaged CPA firms that were licensed in the District in accordance with its own policy and District law.

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<sup>14</sup> Office on Aging Audit Guide, Audit Requirements, first paragraph.

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## FINDINGS AND RECOMMENDATIONS

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| <b>FINDING 5: SCCDS RECORDS MAINTENANCE</b> |
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### SYNOPSIS

SCCDS did not have or maintain critical records to support claims for reimbursement for a variety of services provided to the District's elderly. In response to our request for records, SCCDS did not provide documentation to support all of its claims for reimbursement. Apparently, SCCDS did not maintain copies of all bank statements, bank reconciliations, and other essential financial documents. Further, client files were maintained haphazardly and contained old, outdated records that had not been removed and reviewed, in some cases, for years. Most often, our requests for information resulted in delayed delivery of information. When SCCDS did provide information, it often proved to be inadequate and incomplete. Poor record keeping was attributed to SCCDS's failure to comply with DCOA grant agreement documentation requirements. As a result, there is no assurance that claims made for reimbursement for services provided were accurate and in compliance with the DCOA Grants Management Manual and the grant agreement.

### DISCUSSION

DCOA Grants Management Manual, ch. 5, § D provides that "[t]he requirements for retention and access to financial and programmatic records, statistical records, supporting documents, and all other records pertaining to a grant-supported project are required to be maintained for a period of three (3) years."

Also, the SCCDS Grant Agreement, Attachment F, provides "[t]he applicant assures and certifies that [i]t will give the sponsoring agency of the District of Columbia or the Comptroller General of the United States, through any authorized representative, access to and the right to examine all records, book, papers, or documents related to the grant."

Despite these requirements, SCCDS did not always have required records available and could not readily provide certain documents for our review to substantiate claims for reimbursement and to establish that the grant was being operated in accordance with stipulated guidelines. SCCDS provided the auditors with documents and records that were incomplete, and we could not identify any consistency in how the documents were maintained. SCCDS did not have internal standards, guidelines, or procedures that established how the records and documents should be maintained. Many of the documents that SCCDS provided were not authenticated (signed, reviewed, approved or otherwise validated). Additionally, documents containing names of senior citizens who received services were preprinted with names and most often, the documents did not reflect the number of senior citizens that actually participated in services.

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## FINDINGS AND RECOMMENDATIONS

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During the course of our audit, we made several unsuccessful attempts to obtain records. The Executive Director of SCCDS denied access to the files and records maintained in his/her office at SCCDS's main headquarters, where most of the business activities of SCCDS are performed for the grant. Records that SCCDS provided to us were incomplete, inconsistent, unreliable, and not consistent with record keeping requirements that would demonstrate that SCCDS employed good business practices. Due to our unsuccessful attempts to obtain records to conduct our audit, we issued a subpoena to the Executive Director demanding that she provide the following information:

Any and all correspondences, documents, files, and records stored electronically and in written form to include but not limited to all: accounting records, bank records, cancelled checks, contracts, financial records, invoices, minutes and records of the Board of Directors meetings, sign-in sheets of guests and clients at all senior citizens events such as clinics, luncheons, dinners, home meal deliveries, transportation services requests, passenger manifests, and receipts, vendor information, and all files associated with the management and operations of the Senior Citizens Counseling and Delivery Services.

In response to our subpoena, the Executive Director maintained that all documents and information had been provided for our review. A comparison of the records SCCDS provided with the list of known documents in SCCDS's possession clearly demonstrated that SCCDS failed to comply with our subpoena. Consequently, a significant audit scope impairment existed in the completion of some of our audit objectives. Because SCCDS provided only a portion of the records and documentation needed for our review, this Office cannot assure that DCOA grant funds were used for their intended purposes.

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## FINDINGS AND RECOMMENDATIONS

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| <b>RECOMMENDATIONS: FINDINGS 1 - 5</b> |
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We recommend that the Executive Director, District of Columbia Office on Aging:

1. Improve the management and monitoring of funds awarded to grant recipients by:
  - a. developing guidelines and instructions on monitoring grantee's use of funds and grantee operations;
  - b. developing and providing internal training for DCOA staff on proper procedures for enforcing terms of grant agreements;
  - c. creating a system within DCOA to ensure that, prior to payment, grantee requests for reimbursement are valid and supported with documentation and records that attest to the delivery of senior citizen services; and
  - d. establishing a panel or board within DCOA to periodically assess whether managers are properly monitoring grantee performance.
2. Require SCCDS to obtain all mandatory inspections pertaining to the health and safety of senior citizens within a specified time period and maintain current food handler certifications and licenses necessary to conduct business in the District of Columbia.
3. Request SCCDS to present a plan for appointing a legitimate, current, and active participating Board of Directors and monitor compliance with the plan.
4.
  - a. Require the appointed fiduciary agent (UPO) to provide a time-phased plan for securing SCCDS's compliance with the terms of the Memorandum of Understanding.
  - b. Evaluate periodically the fiduciary agent's success in active implementation of the Memorandum of Understanding to develop and strengthen SCCDS's financial practices.
5. Recoup, as appropriate, all DCOA funds paid to SCCDS for claims that were not supported by adequate documentation.
6. Obtain the documentation necessary to support all future SCCDS claims for reimbursement prior to approval and release of grant funds.
7. Periodically evaluate and validate the level of service activity SCCDS provides to the District's elderly residents.

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## FINDINGS AND RECOMMENDATIONS

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8. Direct SCCDS, in writing, to cease billing elderly residents for meals delivered to their residences and develop a pro forma message (to be used by all providers) requesting a donation.
9. Direct SCCDS, in writing, to cease selling meals to non-elderly D.C. residents, and perform periodic reviews of the number of meals ordered from the caterer compared to the number of meals served to eligible recipients.
10. Amend DCOA Service Standards for Congregate Meals to instruct grantees on the procedures to follow when there are meals left over at congregate meal sites.
11. a. Require SCCDS to attach copies of all SCCDS Nutrition Sign-In Sheets to its claims for reimbursement and make appropriate adjustments to correct inflated claims, and
  - b. Obtain a reimbursement from SCCDS for all SCCDS inflated billings for the past 3 years.
12. Direct SCCDS, in writing, to cease billing District elderly residents for monthly fees of \$250 for geriatric day care and develop a pro forma message that SCCDS will use for requesting donations.
13. Notify SCCDS that DCOA will not reimburse SCCDS for trips/social/recreation activities that are outside the boundaries of the District of Columbia or otherwise not in accordance with District policy. The cost associated with these activities will have to be funded through other programs or appropriately charged to the participating seniors. Additionally, this notification should address prohibiting the inclusion of ineligible participants in social/recreation activities.
14. Direct SCCDS, in writing, to discontinue the practice of providing prohibited services to elderly District residents and reimburse DCOA for the amounts paid for these services.
15. Enforce existing policies and procedures to ensure that grantees (specifically SCCDS) submit audited financial statements on time and take appropriate action if the deadlines are not met.
16. Amend the SCCDS grant agreement to require SCCDS to identify the District-licensed CPA firm before an engagement is initiated and periodically validate that SCCDS has engaged only District-licensed CPA firms to perform the annual financial audits.

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## FINDINGS AND RECOMMENDATIONS

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17. Provide a management decision on the adequacy of SCCDS's actions, in accordance with OMB Circular No. A-133 requirements, on audit findings within 6 months after receipt of the CPA financial statement audit report and ensure that SCCDS takes appropriate and timely corrective action on all reported findings and recommendations.
18. Update policies and procedures in the DCOA Grants Management Manual to provide specific guidance and procedures that grantees must adhere to for maintaining complete and accurate records.
19. Establish policies and procedures requiring DCOA to periodically review grantee compliance with records maintenance requirements.
20. Periodically review SCCDS's compliance with records maintenance requirements.

### AGENCY RESPONSE

DCOA generally agrees with the recommendations and has detailed actions taken and planned to address all the recommendations and correct noted deficiencies. DCOA's response is at Exhibit E.

### OIG COMMENT

We considered DCOA's actions to be responsive to our recommendations and meeting the intent of the recommendations.