Office of Inspector General
Legal Services Corporation

Inspector General
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July 8, 2021

Ms. Lisa Goldberg
Interim Executive Director
Coast to Coast Legal Aid of South Florida
491 North State Road, 2nd Floor
Plantation, FL 33317

Dear Ms. Goldberg,

Enclosed is the Legal Services Corporation (LSC) Office of Inspector General's (OIG) final report for our audit on Selected Internal Controls at Coast to Coast Legal Aid of South Florida (CCLA). Appendix IV of the final report includes CCLA's comments to the draft report in their entirety.

The OIG considers the proposed actions to Recommendations 2, 3, 7, 15, 18 to 20, 22, 31, and 33 to 35 as fully responsive. and has closed these 12 recommendations.

The OIG considers the proposed actions to Recommendations 1, 4 to 6, 8 to 14, 16, 17, 21, 23 to 30, 32, 36, and 37 as responsive; however, these 25 recommendations will remain open until they are completely addressed, and the OIG is provided with the list of items mentioned on page 33 to 34, <u>OIG Evaluation of Grantee Management Comments</u>, of the final report.

The OIG is referring to LSC management for review and action the matters over program integrity, discrepancies over related party transactions which may have potentially resulted in a subsidization of restricted activities in violation of 1610.8(a)(2), and cost allocation including questioned costs totaling $376,520.

Please send us your response to close out the 25 open recommendations, along with supporting documentation within six months of the date of the final report. We thank you and your staff for your cooperation and look forward to receiving your submission by January 8, 2022.

Sincerely,

Jeffrey E. Schanz

Enclosure

cc: Legal Services Corporation
Ron Flagg, President

Lynn Jennings
Vice President for Grants Management

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LEGAL SERVICES CORPORATION

OFFICE OF INSPECTOR GENERAL

FINAL REPORT ON SELECTED INTERNAL CONTROLS

COAST TO COAST LEGAL AID OF SOUTH FLORIDA

RNO 610090

Report No. AU 21-03

July 2021

www.oig.lsc.gov

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INTRODUCTION

The Legal Services Corporation (LSC) Office of Inspector General (OIG) assessed the adequacy of selected internal controls in place at Coast to Coast Legal Aid of South Florida related to specific grantee operations and oversight. Audit work was conducted at the grantee's administrative office in Plantation, FL and LSC headquarters in Washington, DC.

In accordance with the Accounting Guide for LSC Recipients (2010 Edition) (Accounting Guide), Chapter 3, an LSC grantee "…is required to establish and maintain adequate accounting records and internal control procedures." The Accounting Guide defines internal control as follows:

> [T]he process put in place, managed, and maintained by the recipient's board of directors and management, which is designed to provide reasonable assurance of achieving the following objectives:
>
> 1. safeguarding of assets against unauthorized use or disposition;
> 2. reliability of financial information and reporting; and
> 3. compliance with regulations and laws that have a direct and material effect on the program.

Chapter 3 of the Accounting Guide further provides that each grantee "must rely… upon its own system of internal accounting controls and procedures to address these concerns" such as preventing defalcations and meeting the complete financial information needs of its management.

BACKGROUND

Coast to Coast Legal Aid of South Florida (CCLA or "grantee") is a nonprofit corporation organized primarily for the purpose of providing legal assistance in civil proceedings or matters to persons financially unable to afford legal assistance in Broward County, Florida. CCLA is funded primarily by LSC. In 2004, CCLA was formed and partnered with Legal Aid Service of Broward County (LAS), an organization that engages in LSC restricted activities. This allowed LAS to direct its resources to segments of the underserved population that were not able to be represented under LSC restrictions. CCLA's Board of Directors, executive leadership, and staff were all part of LAS prior to January 2004. Both organizations were housed in one central location in Plantation, FL. In addition, CCLA and LAS have overlapping Board of Directors, staff arrangement for administrative functions and related contract agreements for administrative services and office space.

According to the audited financial statement report for fiscal year ending 2019, CCLA received a total of $4,250,741 in grants, contributions, and special event revenue. LSC provided 57 percent or $2,439,913 of CCLA's grant funding. Of the $2,439,913, CCLA provided LAS a subgrant amount of approximately $299,000 to provide support for private attorney involvement. The remaining 43 percent of CCLA's total funding, in the amount of $1,810,828, was received from other sources.

OBJECTIVE

The overall objective was to assess the adequacy of selected internal controls at CCLA and determine whether costs were supported and allowed under the LSC Act of 1974, as amended, the Accounting Guide for LSC Recipients, as well as other applicable laws and regulations.

AUDIT FINDINGS

To accomplish the audit objective, the OIG evaluated select internal controls in specific financial and operational areas to ensure that costs were adequately supported and allowed under the LSC Act, along with other LSC regulations and guidelines. In particular, the OIG reviewed and tested internal controls related to credit cards, disbursements, fixed assets, general ledger and financial controls, payroll, cost allocation, contracting, management reporting and budgeting, derivative income, employee benefits, and client trust funds, for the audit period of January 1, 2017 to December 31, 2019. The audited financial statement report identified related party transactions between CCLA and LAS. As a result, the OIG also reviewed related party transactions between the two organizations, as well as the grantee's compliance with LSC's program integrity regulations.

Internal controls were adequately designed and properly implemented in employee benefits, and client trust funds as they relate to specific grantee operations and oversight. However, CCLA needs to strengthen its practices and formalize, in writing, internal controls over cost allocation, credit cards, disbursements, fixed assets, general ledger and financial controls, payroll, contracting, and management reporting and budgeting. In addition, the OIG is concerned with program integrity because personnel at CCLA and LAS share responsibilities. An example is the CFO, a LAS employee who performs work for CCLA under an administrative contract. Additionally, the OIG noted discrepancies with related party transactions between CCLA and LAS.

PROGRAM INTEGRITY AND RELATED PARTY TRANSACTIONS

CCLA and LAS were housed in the same building at the time of our visit[1]. CCLA leases office space from LAS. The term of the lease began on January 1, 2019 and ends on December 28, 2023. In addition to monthly lease payments, CCLA also pays LAS for Common Area Maintenance (CAM) charges based on a mutually agreed upon allocation ratio. In addition to the lease, CCLA has an administrative service contract agreement with LAS. CCLA pays LAS for administrative services, including salaries and benefits of LAS employees performing administrative duties for CCLA.

The OIG assessed CCLA's compliance with LSC regulation 45 CFR § 1610.8, Program Integrity. Specifically, we reviewed the conditions surrounding the grantee's objective integrity and independence from LAS, an organization that engages in activities restricted by LSC regulations. The OIG performed a review of the lease to determine whether the 2019 lease amount was within market value and the Common Area Maintenance charges included in the lease were accurately applied and adequately supported. The OIG also reviewed the 2019 salary and benefit payments to determine whether they were consistent with the terms of the administrative contract.

The OIG found that the lease amount is within market value; however, we noted the following issues:

Program Integrity: Overlapping Personnel

CCLA and LAS Personnel Shared Responsibilities

Regarding physical and financial separation per LSC regulation 45 CFR§ 1610.8, Program Integrity; the OIG found that CCLA appears to be a legally separate entity and maintains separate accounting and timekeeping systems from LAS. However, the OIG is concerned with the arrangement because CCLA and LAS personnel share responsibility between the two entities. Additionally, it is unclear whether LAS staff can effectively divide time and establish controls between both organizations when their roles and responsibilities are critical to both organizations' operations.

The administrative service contract between LAS and CCLA states that employees will provide services for CCLA in the following areas: accounting, bookkeeping, and HR services, development, marketing and communications, grants development and coordination, IT management, reception, file storage, and facilities support. Further, it states that CCLA will pay LAS for these services based upon an analysis of the work performed by these employees for each organization. The contract states that all

[1] The on-site fieldwork was conducted from February 18 through 26, 2020. Our work was conducted at the grantee's administrative office in Plantation, FL.

calculations will be based upon the board approved budgets for each program as of January 1, 2019.

According to LSC regulation 45 CFR § 1610.8 a recipient must have objective integrity and independence from any organization that engages in restricted activities. A recipient will be found to have objective integrity and independent from such an organization if the recipient is physically and financially separate from the other organization. Mere bookkeeping separation of LSC funds from other funds is not sufficient. Whether sufficient physical and financial separation exist are determined on a case-by-case basis. The existence of separate personnel is a relevant factor in determining whether the recipient is physically and financially separate from the other organization.

The lack of appearance of separation of personnel may result in non-compliance with LSC regulation 45 CFR § 1610.8. As such, the OIG will refer this matter to LSC Management for further review and action.

Related Party Transactions: Administrative Positions

Deviated from Contracted Administrative Positions

The OIG found that CCLA deviated from the Administrative Service Contract. The administrative contract included funding for 13 administrative staff positions. CCLA pays LAS its proportionate share of salaries and benefits for LAS' employees who perform administrative duties for CCLA. The 2019 administrative contract, which included 13 administrative staff personnel and totaled $193,642, was charged to CCLA at an average of 31 percent. The OIG compared the contract with actual accounting and payroll records for 2019. The records reflect that CCLA paid LAS for seven additional administrative staff, totaling $31,633 at an average of 28 percent. See Table I.

TABLE I – Contracted Administrative Staff

No.	Administrative Staff Included in the Contract	Additional Seven Administrative Staff Not Included in the Contract
1	Fiscal Administrator/CFO	Accounting Specialist
2	Fiscal Assistant	Accounting Specialist (Temporary Employee)
3	Human Resource Assistant	A/P Specialist (Temporary Employee)
4	Director of Development	Staff Accountant (Temporary Employee)

No.	Administrative Staff Included in the Contract	Additional Seven Administrative Staff Not Included in the Contract
5	Development Associate	Marketing and Communications
6	Marketing and Communications	Grants and Compliance Manager
7	Grants Administrator/Developer	Grants Specialist
8	Grants Coordinator	
9	IT Management	
10	Receptionist (a)	
11	Receptionist (b)	
12	File Specialist	
13	Facilities Support Specialist	
Amount LAS Charged CCLA	**$193,642**	**$31,633**

The OIG noted that CCLA had no written documentation of amendments to the contract with LAS. The CFO explained that the contract was verbally amended.

The LSC Accounting Guide § 3-5.16 states that "the process used for each contract action should be fully documented and the documentation maintained in a central file. Any deviation from the approved contracting process should be fully documented, approved, and maintained in the contract file."

Proper documentation of the amendments to the contractual administrative staff positions helps ensure that the approved contract follows all established procedures. Contracting is a high-risk area for potential abuse. Also, if not properly conducted, weak contracting practices can result in waste of scarce funds and subject the grantee to questioned cost proceedings.

The OIG is questioning the additional costs totaling $31,633 that were supported by LSC funds but deviated from the administrative service contract. As such, $31,633 will be referred to LSC management for review and action.

Related Party Transactions: Administrative Salaries and Benefits

Discrepancies in Payments for LAS Administrative Staff Salaries and Benefits

The OIG compared LAS salary and benefit records to the salary and benefit amounts used for calculating CCLA's proportionate share for the 20 LAS administrative staff in 2019, corresponding to the administrative contract for that year. Per the administrative service contract, the OIG noted that CCLA and LAS agreed on billing based on estimated time each employee would spend on behalf of the organizations. Further, the CFO would perform adjustments after time records had been compiled.

As a result, we noted the following discrepancies from salaries and benefits in 2019:

First, CCLA overpaid LAS for administrative salaries. LAS payroll and accounting records show that $650,735 was paid in total salaries for 17 permanent employees and three temporary employees. However, the total amount used to calculate the charges to CCLA totaled $675,907. The difference of $25,172 was noted in four of 20 administrative staff. Therefore, LAS' charges to CCLA were based on an incorrect amount of total salaries. See Table II.

Table II – Discrepancies in Salaries 2019

LAS Administrative Staff	Total Salary Amounts LAS Used to Calculate CCLA's Proportionate Share	Total Salary Amounts Per LAS Payroll & Accounting Record in 2019	Discrepancy
17 Permanent	$624,178	$608,783	$15,395
3 Temporary	$51,729	$41,952	$9,777
Total	$675,907	$650,735	**$25,172**

The OIG determined that the formula used to calculate the benefit amounts charged to CCLA was improper. The formula was based on an allocation rate, agreed upon by LAS and CCLA, of administrative staff's total gross salary instead of an established percentage of actual benefit costs or the actual cost of benefits for the administrative staff.

In review of the benefit records, the OIG found that CCLA paid LAS administrative staff benefits based on an average rate of 25 percent of gross salary, totaling $52,207. Using the OIG's determined formula and the agreed upon allocation rate, the total benefit amount that should have been charged to CCLA was $41,924. Allocating benefit costs by applying the agreed upon rate to the total cost of benefits for administrative staff would be more precise than the method LAS and CCLA currently uses. The OIG calculated estimated benefit costs using this methodology and determined that CCLA was charged $10,283 more in 2019, than they would have if total administrative staff benefits were used as the cost basis for the calculation.

As a result, CCLA was charged more in benefit amounts totaling $10,283. See Table III.

Table III – Comparison of Formula for Calculating Benefits in 2019

Formula		Total Amount of Benefits
LAS' formula for calculating benefits	Administrative staff total ***gross salary*** times an average of 25 percent allocation rate.	$52,207
OIG's determined formula for calculating benefits	Administrative staff total ***benefits*** times agreed upon allocation rate.	$41,924
	Difference between formulas:	**$10,283**

In 2019 CCLA paid benefits to two of three temporary employees totaling $3,199. LAS contracted with a staffing agency for three temporary employees. The OIG reviewed the invoices LAS received from the staffing agency and found that LAS was billed an hourly salary rate for the employees, not including benefits. Despite this, LAS passed the cost of benefits for these employees to CCLA effectively overcharging for the temporary staff.

The OIG found that the basis LAS and CCLA used to determine the portion of benefits costs allocated to CCLA, which resulted in an imprecise figure, failed to adjust payments once actual costs were incurred, and a lack of review of supporting documentation, caused the discrepancies over salaries and benefits.

The administrative contract states "certain positions require that LAS staff maintain written reports documenting the time that the employee spends on activities that benefit both LAS and CCLA, activities that benefit only LAS, and activities that benefit only CCLA. Since these time records will not be immediately available, the parties have agreed on an estimate of the time each employee will spend on behalf of the organizations. After time records have been compiled, any adjustments to these estimates will be made by the Fiscal Administrator/Chief Financial Officer/CFO".

Per the CFO, the monthly charge paid by CCLA is based on the budget at the beginning of the year prorated by month as stated in the contract. The administrative contract states CCLA shall pay LAS for these services in equal monthly installments on or before the first day of each month for the services rendered the prior month, with a 15-day grace period. Per the contract, the amount paid to LAS should be calculated based upon the approved budgets of each program. The CFO stated that benefit payments were made to temporary employees as a result of an oversight.

The LSC Accounting Guide § 3-5.4, states that "the receipt of goods and the accuracy of invoices should be verified and documented." The use of estimated billing without review and lack of verification of the formula and documentation supporting the charges from LAS for the contracted administrative staff salaries and benefits pose a risk that the charges may not be valid and subject to questioned costs.

The OIG is questioning the discrepant payments totaling $38,654, that were supported by LSC funds, as listed below:

- Salaries totaling $25,172
- Benefits totaling $10,283
- Payments to temporary employees totaling $3,199

In addition, these discrepancies may have potentially resulted in a subsidization of restricted activities in violation of 1610.8(a)(2) which, as relevant here, states that LSC funds do not subsidize restricted activities.

As such, $38,654 and CCLA's potential subsidization of restricted activities will be referred to LSC management for review and action.

Deviated from Contractual Allocation Rates for Administrative Positions Salary and Benefits

In addition to adding seven administrative staff positions without amending the administrative contract, CCLA also deviated from the allocation rates per the 2019 agreement. The deviation in salary allocation rates was noted for three of 13[2] administrative staff. LAS charged CCLA for salaries of the three administrative staff totaling $41,546. Per OIG's recalculation, CCLA should have been charged $27,360, a difference of $14,186. See Table IV.

Table IV – Discrepancies in Allocation Rate for Salary

Administrative Staff	Allocation Rate LAS Used to Charge CCLA		Allocation Rate Per Contract and Formula		Difference Per OIG's Recalculation
	Rate	*Amount*	*Rate*	*Amount*	
1	50%	$19,250	31%	$11,974	$7,277
2	50%	$19,250	31%	$11,974	$7,277
3	8%	$3,046	9%	$3,412	($367)
Totals	$$41,546		$27,360		**$14,186**

[2] The 13 administrative staff refers to the total in the administrative service contract.

Additionally, the OIG noted a deviation in benefit allocation rates[3] where LAS charged CCLA for 12 of 13 administrative staff benefits totaling $45,691. Per OIG's recalculation, CCLA should have been charged $38,039, a difference of $7,651. See Table V, below.

Table V – Result of Discrepancies in Allocation Rate for Benefits

Administrative Staff	Benefits LAS Billed to CCLA	OIG Recalculation	Difference Per OIG's Recalculation[4]
1	$6,208	$3,850	$2,357
2	$3,450	$489	$2,961
3	$3,235	$2,677	$558
4	$3,318	$2,252	$1,067
5	$3,285	$6,631	($3,347)
6	$5,400	$3,984	$1,416
7	$5,019	$3,060	$1,959
8	$3,714	$5,579	($1,865)
9	$4,813	$4,709	$103
10	$4,813	$2,907	$1,906
11	$762	$1,358	($597)
12	$1,676	$543	$1,133
Totals	$45,691	$38,039	**$7,651**[5]

The OIG noted that there was no written documentation of amendments to the contract to support the deviation from established allocation rates. The CFO explained that the final benefits allocation rate is determined by the organization's actual fringe benefits total per the audited financial statements expressed as a percentage of the total salaries.

The LSC Accounting Guide § 3-5.16 states that "the process used for each contract action should be fully documented and the documentation maintained in a central file. Any deviation from the approved contracting process should be fully documented, approved, and maintained in the contract file."

Proper documentation to the amendments in salary and benefits agreed upon allocation rate helps ensure that the approved contract has followed all established procedures. Contracting is a high-risk area for potential abuse. Also, if not properly conducted, weak

[3] The deviation in the benefit was recalculated and documented in the Related Party Transactions: Discrepancies Over Payments for LAS Administrative Staff Salaries and Benefits.

[4] The Difference Per OIG's Recalculation column from Table V is based on OIG's recalculation using total benefits and rates per contract and formula while the benefits billed to CCLA was based on an average of 25 percent.

[5] In reference to Table V, the totals from Benefits LAS Billed to CCLA and OIG Recalculation; $45,691 minus $38,039 equals to $7,652 however due to rounding the actual total equals to $7,651.

contracting practices can result in waste of scarce funds and subject the grantee to questioned cost proceedings.

The OIG is questioning $21,837, which was supported with LSC funds, resulting from discrepancies in allocation rates, as listed below:

- Salaries totaling $14,186
- Benefits totaling $7,651

In addition, these discrepancies may have potentially resulted in a subsidization of restricted activities in violation of 1610.8(a)(2), which, as relevant here, states that LSC funds do not subsidize restricted activities.

As such, $21,837 and CCLA's potential subsidization of restricted activities will be referred to LSC management for review and action.

Related Party Transactions: Common Area Maintenance (CAM) Charges

CAM Allocation Ratio Not Adjusted as Required by Lease

The OIG found that the CAM charges allocation ratio was not updated as required by the lease when significant changes to employee headcount occurred. For instance, the CCLA staff roster provided to OIG as of January 2020 lists a total of 42 employees while the total headcount used for allocation was 33 employees. The CFO[6] explained that the total headcount of 33 was based on the total as of January 2019. The OIG noted that the lease does not state that the allocation rate is based on the total headcount as of January 2019.

The Lease states that the lessee's proportionate share shall be recalculated on an annual basis in connection with the lessor's determination regarding estimated CAM charges for the upcoming year, unless there is a material change in the number of Lessee employees or Lessor employees during the course of the fiscal year, such that an interim adjustment is deemed appropriate by Lessor's Fiscal Administrator/Chief Financial Officer.

Not updating the material changes in headcount poses a risk of inaccurate allocation of costs. LSC cannot be assured that CCLA allocates costs to LSC in a fair and equitable manner.

CAM Charges Not Adjusted as Required by Lease

During the audit period, the OIG noted that there were nine types of CAM charges that LAS billed to CCLA: (1) janitorial service, (2) telephone service, (3) library and

[6] The CFO is an employee of LAS who performs work for CCLA per the administrative service contract.

subscription, (4) equipment rental/maintenance, (5) external IT contract, (6) IT purchases, (7) supplies, (8) postage, and (9) insurance.

The OIG found that the 2019 CAM charges were not evaluated or revised during the year, as required by the lease. As a result, LAS undercharged CCLA by $2,933 for common area maintenance during the year[7]. Per billing records, LAS charged CCLA $299,765 when the actual total that LAS expended for CCLA during the year was $302,758.

The CFO explained that the $299,765 was based on CAM charges from 2018. They used the 2018 rate for consistency.

The Lease states that "if during the course of the calendar year in question, in the estimation of Lessor, actual CAM Charges for the year in question will exceed the estimated CAM Charges, Lessor may give Lessee written notice of the amount of such revised estimate, following which the revised monthly amount of Lessee's Proportionate Share shall be due and payable by Lessee. Following the conclusion of the calendar year, Lessor will provide Lessee with a statement indicating any overpayments or underpayments of CAM Charges by Lessee, if applicable".

LAS charged CCLA an incorrect amount for common area maintenance because they did not evaluate and adjust the estimate as outlined in the lease agreement. Instead, they provided LAS' accounts payable listing of the CAM charges billed to CCLA.

Grantee management stated that the lease does not require LAS to provide receipts, invoices, or contracts. They did not provide the documents that the OIG requested.

The LSC Accounting Guide § 3-5.4, states that "the receipt of goods and the accuracy of invoices should be verified and documented." Without adequate documentation, the charges to CCLA could not be calculated.

The OIG recommends that the Executive Director:

Recommendation 1: consult with LSC Management to develop processes, policies, and procedures to ensure CCLA's engagement with LAS meets the criteria related to the existence of separate personnel per 45 CFR § 1610.8.

[7] The OIG noted that the total underpayment amount of $2,933 charged to CCLA may partially mitigate the previously mentioned overpayments to LAS and the potential subsidization of restricted activities. The overpayments were from discrepancies over allocation rates for salaries and benefits, $21,837; deviations from the administrative contract, $31,633; discrepancies over payments for salaries and benefits, $38,654, totaling $92,124. If the underpayment of $2,933 is applied, potential subsidization could be reduced to $89,191.

Recommendation 2: adequately document any changes or deviations to the administrative contract including, but not limited to, (1) addition and removal of administrative positions, and (2) changes to the agreed-upon allocation rate.

Recommendation 3: request, review, and verify adequate supporting document for the salaries and benefits paid to LAS, make necessary corrections or adjustments corresponding to the administrative contract in 2019. Document the review and results.

Recommendation 4: reconsider other bases for billing for the administrative staff's salaries and benefits instead of estimated or budgeted amounts with appropriate management and document on-file.

Recommendation 5: update and document the formula for allocating CAM charges based on headcount when changes occur.

Recommendation 6: review the terms of the lease agreement and update them accordingly to clearly define billing procedures for CAM charges including, but not limited to, the basis for the formula, review and approval process, and define what documentation should be supplied prior to payment to substantiate the transactions.

Recommendation 7: ensure that the source documents for the CAM charges such as receipts, invoices and contracts are verified, documented, and maintained on-file.

COST ALLOCATION

To determine whether the grantee's cost allocation formula and methodology were reasonable and adhere to LSC's *Fundamental Criteria*, the OIG reviewed CCLA's written policies and procedures. In performing testwork, the OIG judgmentally sampled seven personnel and non-personnel expenses totaling $568,580 within the audit period of January 1, 2017 through December 31, 2019. The OIG also noted that the allocation policy related to the administrative contract totaling $284,954 is not compliant with LSC Regulation 45 CFR § 1630.5(f). The OIG also found that indirect costs were not allocated in a fair and equitable manner.

Written Policies and Methodology Not Compliant with LSC Regulations

The OIG found that CCLA's written policies and procedures regarding cost allocation were not comparable to the criteria outlined in LSC regulations and the *Fundamental Criteria* per the LSC Accounting Guide. The OIG noted that the Accounting Manual revised on January 15, 2020[8] states "The Administrative Contract between Coast to Coast and Legal Aid provides several administrative services to assist CCLA in their

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[8] The Accounting Manual which CCLA revised on January 15, 2020 is out of the audit scope. The OIG expanded the scope in this area of review in order to fulfill the audit objectives and provide a current recommendation.

operations in the area of Fiscal, Grants, IT and Reception. These costs are allocated 100% to the LSC funding source as per the contract." In addition, the lease between CCLA and LAS is also allocated 100 percent to LSC. Because of the written allocation methodology, CCLA did not allocate indirect costs related to the administrative service contract and lease in a fair and equitable manner. According to the 2019 general ledger records the whole amount for administrative service contract and lease totaling $284,954 was charged to LSC.

In addition, the OIG found that the grantee's cost allocation methodology did not apportion an equitable amount of indirect expenses to LSC. Five of the seven indirect expenses totaling $403,204 were entirely allocated to LSC. The five indirect expenses are comprised of the Executive Assistant's salary from 2017, 2018 and 2019; and telephone and rent from 2018. According to the audited financial statements for fiscal year-ending 2017 and 2018; LSC provided CCLA with 67 percent of their total funding in 2017, 60 percent of their funding in 2018 and 56 percent of their funding in 2019. Based on LSC's funding percentages it does not appear that CCLA is applying equitable allocations for the indirect expense amounts.

The OIG's review found that $688,158 was allocated to LSC for the administrative service contract, lease, salary, telephone, and rent. The OIG performed a recalculation of the allocation based on LSC's funding percentages for the administrative service contract, lease, salary, telephone, and rent. Using LSC's funding percentage, the OIG determined that the grantee should have allocated $403,761 to LSC. OIG's recalculation resulted in a difference of $284,397. See Table VI.

Table VI – Cost Allocation Exceptions

Year Ending	Expenses	Total Costs Allocated to LSC	OIG's Recalculation of Total Costs that should have been allocated to LSC	Difference
2019	Administrative Service Contract and Lease	$284,954	$159,574	$125,380
2017 to 2019	Salary	$183,421	$112,087	$71,334
2018	Telephone & Rent	219,782	$132,100	$87,683
	•Totals	**$688,158**	**$403,761**	**$284,397**

CCLA management explained that indirect costs have been allocated this way for many years; since CCLA entered into the Administrative Service Contract with LAS, and LSC was the main funder for CCLA. According to CCLA management, they planned to implement changes in 2020 to start allocating across every grant that allows for indirect costs.

The LSC regulation 45 CFR § 1630.5(f) states “where a recipient has only one major function, i.e., the delivery of legal services to low-income clients, allocation of indirect costs may be made by a simplified allocation method, whereby total allowable indirect costs (net of applicable credits) are divided by an equitable distribution base and distributed to individual grant awards accordingly.” In addition, the LSC Accounting Guide § 3-5.9(c) states that “common expenses shall be allocated among the sources on the basis agreed to by the applicable funding organizations, and in the absence of approved methods the allocation should be fair, consistent, and in an equitable manner to the individual cost centers, and funds.”

Without an equitable basis for allocating indirect costs, LSC will continue to incur a disproportionate share of the grantee's indirect expenses and may subject the grantee to questioned cost proceedings.

The OIG is questioning $284,397 pursuant to 45 CFR § Part 1630.5(c)(1) and will refer the amount to LSC management for review and action.

The OIG recommends the Executive Director to:

Recommendation 8: ensure that costs related to the administrative service contract and lease are allocated equitably among the applicable funding sources.

Recommendation 9: update the Accounting Manual to ensure that the allocation methodology is (1) compliant with 45 CFR§ 1630.5(f) and (2) common expenses are allocated in fair, consistent, and in an equitable manner to individual cost centers, and funds.

CREDIT CARDS

CCLA has two authorized credit card holders, (1) the Executive Director, and (2) the CFO. The credit card is serviced through Bank of America with a credit card limit of $27,000. In performing testwork, the OIG reviewed and performed a simple random selection of three credit card statements and judgmental selection of four, totaling seven credit card statements. The seven credit card statements consist of 127 transactions, totaling $37,141. As a result, the OIG found an unauthorized credit card user, lack of prior approvals, inadequate documentation of Board oversight, and LSC unallowable purchases.

Unauthorized Credit Card User

The Executive Assistant is not an authorized credit card holder but primarily uses the CFO's card to book travel and make purchases for CCLA staff.

The CFO explained that, in practice, the staff use a credit card log where they sign and include information for purchases, registrations for training or book travel related expenses. The Executive Assistant also signs the log and retrieves the CFO's card from its secured location to make the purchases.

The LSC Accounting Guide § 3-5.1 states that "financial controls shall be established to safeguard program resources."

Without adequate controls and definitions of responsibilities, transactions may be initiated for unauthorized purchases.

Lack of Prior Approvals

Twenty-two transactions on the CFO's credit card, totaling $11,317 had no documentation of prior approval. These transactions were for out of state travel, training, conferences, and seminars.

Grantee management stated that the majority of requests for prior approvals were communicated by email. Grantee management also added that all of the credit card transactions were verbally approved but they did not document the approvals in writing.

The LSC Accounting Guide § 3-5.4 states that "approval should be required at an appropriate level of management before a commitment of resources is made."

The grantee's Accounting Manual also states that "every employee reimbursement or purchase request must be documented on the approved form." Furthermore, it also states that "the Executive Director's credit card usage will be provided to a member of the Board's Executive Committee for their review."

Failure to follow the purchase approval process may result in purchases made without the knowledge of appropriate management.

Inadequate Documentation of Board Oversight

Thirty-three transactions from the Executive Director's credit card, totaling $16,799, had no documentation of the Board of Director's (Board) oversight (review and approval). These transactions were for out of state travel, training, conference, seminars, IT equipment and office decorations.

Grantee management stated that the Board does not review the Executive Director's credit card statements but reviews his expense reports.

LSC's Program Letter 18-3 "strongly recommends that written policies be adopted and approved by each recipient's Board of Directors to ensure adequate oversight of Executive Director expenses. The Executive Director's expense reports, credit card statements, and travel reimbursements should be approved by a member of the Board of Directors and not by a subordinate of the Executive Director or by the Executive Director himself or herself."

Without the review of appropriate management purchases may be made at an unacceptable price or term.

<u>LSC Unallowable Purchases</u>

Two purchases on the Executive Director's credit card, totaling $408 were LSC unallowable transactions. These were items purchased for conference room décor.

Grantee management explained that the unallowable transactions were an isolated mistake and that they would reclassify the charges to funding sources other than LSC.

LSC regulation 45 CFR § 1630.5(a) states that "expenditures are allowable under an LSC grant or contract only if the recipient can demonstrate that the cost was (1) actually incurred in the performance of the grant or contract and the recipient was liable for payment, (2) reasonable and necessary for the performance of the grant or contract as approved by LSC."

On November 13, 2020, the CFO provided supporting documentation reflecting that the LSC unallowable transactions totaling $408 had been reallocated to funding sources other than LSC. As such, the OIG will not question or refer the unallowable transaction to LSC management.

LSC unallowable transactions may be subject to questioned costs, if not reallocated or reclassified to funding sources other than LSC.

<u>Inadequate Policies and Procedures</u>

The grantee did not have written policies and procedures over the issuance and deactivation of credit cards. The OIG found that the grantee has practices in place for issuing to and deactivating credit cards for authorized users. Issuance of cards was approved by the Board of Directors. However, these practices were not written as an official policy and procedure or included in the <u>Accounting Manual</u>. In addition, CCLA does not have an established credit card user acknowledgment agreement, for authorized users, that includes repayment terms and conditions governing use or misuse of the credit card.

Grantee management explained that the lack of written policies over credit cards was an oversight on their part. Grantee management added that since there was only one authorized card holder up until 2019, they overlooked the need to update the policy over credit cards.

The LSC Accounting Guide § 3-4 states that "each recipient must develop a written accounting manual that describes the specific procedures to be followed by the recipient in complying with the *Fundamental Criteria*." In addition, the LSC Accounting Guide, Appendix VII, provides guidance and indicates that a form should be developed which contains policies for employees to review and sign.

An established policy and procedure for the issuance and deactivation of credit cards may reduce the risk of credit card theft and fraudulent activity. The lack of a signed credit card user agreement may result in confusion over the initiation, approval and use of credit cards. In addition, a signed credit card user agreement demonstrates that authorized card holders have read and understood the credit card policies.

The OIG recommends that the Executive Director:

Recommendation 10: update the credit card policies to ensure that only authorized holders use them and to outline the role of the Executive Assistant with respect to credit card usage.

Recommendation 11: ensure that CCLA staff follows the grantee's policy that every employee reimbursement or purchase request be documented on the approved form. Also, keep documentations on-file.

Recommendation 12: ensure that the Board's Executive Committee's review and approval of the Executive Director's credit card transactions is implemented, and documentation is kept on-file.

Recommendation 13: ensure that LSC unallowable costs are charged to funding sources other than LSC and all CCLA staff is knowledgeable of LSC regulations and guidelines, in particular 1630.5(a).

Recommendation 14: establish a written policy and procedure over the issuance and deactivation of credit card.

Recommendation 15: establish a credit card user agreement form for authorized users to sign and agree to proper use and repayment terms in case of unauthorized transactions.

DISBURSEMENTS

The OIG found that the grantee's policies and procedures were mostly comparable to LSC's *Fundamental Criteria* as well as LSC regulations and guidelines. However, there were inadequate written policies and procedures over LSC unallowable costs. In addition, there was one LSC unallowable transaction, inadequate documentation of prior approvals over expenditures, and inadequate segregation of duties.

For our testwork, we judgmentally selected a sample of 85 disbursement transactions, totaling $1,149,633. The sample represents approximately 25 percent of $4,551,875, the total disbursed for expenses other than credit cards and payroll.

LSC Unallowable Costs

There were no written policies and procedures for handling LSC unallowable costs. The OIG also found one LSC unallowable transaction for a flower purchase in the amount of $104, of which $52 was charged to LSC.

According to grantee management, the flower purchase charged to LSC was an isolated mistake due to an oversight. The CFO was not able to reallocate the LSC unallowable cost since the transaction was from 2017 and the related accounting books were closed. The CFO stated that the Accounting Manual was written before her tenure and that changes will be made to the Accounting Manual, if required.

The LSC Accounting Guide § 3-4 states that "each recipient must develop a written accounting manual that describes the specific procedures to be followed by the recipient in complying with the Fundamental Criteria." LSC regulation 45 CFR § 1630.5(a) states that "expenditures are allowable under an LSC grant or contract only if the recipient can demonstrate that the cost was (1) actually incurred in the performance of the grant or contract and the recipient was liable for payment, (2) reasonable and necessary for the performance of the grant or contract as approved by LSC." In addition, LSC's Program Letter 17-1 also states that common costs determined to be unallowable by LSC include flowers.

Written policies and procedures over LSC unallowable costs helps ensure that these costs will be charged to funding sources other than LSC. Unallowable transactions charged to LSC may be subject to questioned costs.

Inadequate Documentation of Prior Approvals

Five disbursement transactions totaling $3,773 had no documentation of prior approvals. These transactions were related to travel and IT expenditures.

Grantee management explained that approvals were made by email and provided emails referring to the transactions. However, the OIG found no approvals in the emails.

The LSC Accounting Guide § 3-5.4 states that "approval should be required at an appropriate level of management before a commitment of resources is made." In addition, the grantee's Accounting Manual states that "every employee reimbursement or purchase request must be documented on the approved form."

Failure to follow the purchase approval process may result in purchases made without the knowledge of appropriate management or at unacceptable prices or terms.

Inadequate Segregation of Duties

There is lack of segregation over the Accounts Payable (A/P) Coordinator duties. In an interview with the A/P Coordinator, the OIG found that the A/P Coordinator is responsible for processing accounts payable, receiving and opening the mail, and maintenance of the master vendor list which includes adding new vendors and updating or changing vendor information.

Grantee management explained that the lack of segregation of duties was due to being short-staffed. In 2019, CCLA hired both permanent and temporary staff to assist the CFO with accounting and financial duties.

The LSC Accounting Guide § 3-4 states that "accounting duties should be segregated to ensure that no individual simultaneously has both the physical control and recordkeeping responsibility for any asset, including, but not limited to, cash, client deposits, supplies and property. Duties must be segregated so that no individual can initiate, execute, and record a transaction without a second independent individual being involved in the process."

The lack of segregation of duties over accounts payable and maintenance of the master vendor list increases the risk of unauthorized or fraudulent transactions being undetected.

The OIG recommends that the Executive Director:

Recommendation 16: include policies and procedures for LSC unallowable costs in the Accounting Manual.

Recommendation 17: ensure that LSC unallowable costs are charged to funding sources other than LSC and all CCLA staff is knowledgeable of LSC regulations and guidelines, in particular 1630.5(a).

Recommendation 18: ensure that CCLA staff follows its own policies as stated in the Accounting Manual and keep all documentation for submission and approval of requests on-file.

<u>Recommendation 19</u>: reassign the duties of receiving and opening the mail to staff who do not have access to or perform duties related to accounts payable.

<u>Recommendation 20</u>: reassign the duties of adding new vendors and updating vendor information to staff who do not have access to or perform duties related to accounts payable; and establish supervisory review and approval over adding and updating of vendor information.

FIXED ASSETS

The OIG judgmentally selected twelve items from CCLA's property records including three laptops, one monitor, two printers, one television, three tables, one floor lamp, and one treadmill[9] to determine if physical inventories were: (1) performed; (2) reconciled to the general ledger property accounts; and (3) that the records include the elements as stated in the *Fundamental Criteria*. The OIG also reviewed CCLA's written policies over fixed assets.

As a result of OIG's review and testwork, the OIG found that CCLA had no record of reconciliation of the property record to the general ledger property accounts, no record of a physical inventory performed, and written procedures for tagging property were not documented in the <u>Accounting Manual</u>.

<u>Inadequate Property Records</u>

The OIG found that internal controls over property records need strengthening. CCLA's property records did not include all the elements required by the *Fundamental Criteria*. Specifically, the records did not include description of the property, date acquired, check number, original cost, fair value (if donated), method of valuation (if donated), salvage value, if any, funding source, estimated life, and depreciation method.

There was no information provided for the lack of adequate documentation over property records. Based on the OIG's observation, this was due to management oversight. CCLA management acknowledged that the property records lacked the detail required by the *Fundamental Criteria* and the grantee's <u>Accounting Manual</u>. CCLA management also agreed that the property records should be revised to include the required detail, and all IT equipment, fixed assets, and inventory should be included in the listing regardless of the funder.

The LSC <u>Accounting Guide</u> § 3-5.4(c) states that "property purchases should be recorded in a property subsidiary record. The property record should include description of the property, date acquired, check number, original cost, fair value (if donated), method of

[9] The OIG noted that the treadmill was not purchased with LSC funds.

valuation (if donated), salvage value, if any, funding source, estimated life, depreciation method, identification number, and location." The LSC Accounting Guide, Appendix II, provides additional guidance and indicates that property records for fixed assets and equipment should include a description of the property including model and manufacturer's serial number or other identification number, date of acquisition, number of check used to pay for item, cost of the property and salvage value, useful life, depreciation method, source of funds used to acquire the property, description of how value was assigned if property was donated, location and condition of the property and the date the information was reported, inventory control number/tag, and the ultimate disposition data, including date and method of disposal and sales price if sold with the method used to determine the current fair value.

Failure to maintain adequate property records may result in the inability to fully account for fixed asset purchases.

No Physical Inventory Performed

The OIG also found that a physical inventory has not been performed and reconciled with the grantee's general ledger property accounts. The IT Director stated that he has yet to perform a physical inventory. He stated he has the capability of doing more of an electronic inventory in which he pings the laptops to see when the last log-in occurred. However, pinging the laptop only shows that the laptop is connected to the grantee's network. The system is not capable of showing when a laptop is out of the building and has been logged in to from outside of the grantee's network. CCLA management stated that a physical inventory was performed in November 2019 and February 2020. However, CCLA could not provide a record or documentation of the inventory conducted.

The LSC Accounting Guide § 2-2.4 states that the recipient should be mindful of items that may contain sensitive information (for example, a computer with client confidential information) with values lower than $5,000 and the need to inventory these items and dispose of them appropriately. Also, for property control purposes, a physical inventory should be taken, and the results reconciled with the property records at least once every two (2) years. Any differences between quantities determined by the physical inspection and those shown in the accounting records should be investigated to determine the cause(s) of the differences, and the accounting records should be reconciled to the results of the physical inventory with an appropriate note included in the financial statements, if determined to be material by the grantee's auditor. CCLA's Personnel Manual also states that "a physical inventory of property should be conducted at least once every two years. The results should be reconciled to property records, and any difference(s) identified should be investigated to determine the cause(s) for the difference."

Failure to maintain adequate property records may result in the inability to fully account for fixed asset purchases. Also, the lack of tracking electronic devices containing sensitive information may result in the improper disclosure of confidential client or personal information.

Inadequate Tagging Procedures

OIG review of the grantee's fixed assets and inventory records found that only the IT equipment and furniture purchased with LSC funds are being tagged and tracked. CCLA does not tag or track equipment and furniture that is borrowed, loaned, or purchased with funds other than LSC. In addition, the tagging procedures are not detailed and outlined in the grantee's Accounting Manual.

The OIG determined that there was a lack of understanding of the appropriate roles of management and relevant personnel over the tagging responsibilities. For example, the Information Technology (IT) Director stated that he affixes the tags to the LSC funded items. In contrast, the CCLA Executive Director stated that she did so. The IT Director also could not describe the difference between the different tag colors, green and red. The CCLA Executive Director stated that the green tags are for IT equipment, whereas the red tags are affixed to furniture. CCLA management acknowledged the tagging procedures were missing from the Accounting Manual due to management oversight.

The LSC Accounting Guide § 3-4 states that "each recipient must develop a written accounting manual that describes the specific procedures to be followed by the recipient in complying with the *Fundamental Criteria*." Also, the LSC Accounting Guide § 3-5.1 states that "the appropriate roles of the governing body and management must be defined in the accounting manual. The flow of authority and responsibility from the governing body to top management and successively lower levels of management must be identified clearly and communicated to relevant personnel."

Written policies and procedures over tagging property and equipment serve as a method of documenting the design of controls and communicating them to staff. The LSC Accounting Guide § 3-5.1 states, "Unless authority and responsibilities are clearly defined, an organization may be misdirected. A misdirected organization is unlikely to achieve success in controlling fiscal duties and responsibilities or achieving its objectives."

The OIG recommends that the Executive Director:

Recommendation 21: ensure that the property records include elements as required by the *Fundamental Criteria*.

Recommendation 22: ensure that a physical inventory is conducted every two years and results reconciled with the property records.

Recommendation 23: establish clear and defined responsibilities over tagging IT equipment, furniture, and other inventory items.

Recommendation 24: include tagging procedures of IT equipment, furniture, and other inventory items in the Accounting Manual, including but not limited to property purchased with LSC funds.

GENERAL LEDGER AND FINANCIAL CONTROLS

CCLA's written policies and procedures over general ledger and financial controls appear to adhere to the *Fundamental Criteria* outlined in the LSC Accounting Guide. However, the grantee was not consistently following its own policies and procedures. CCLA had inadequate (1) segregation of duties over payroll transfers, (2) procedures over bank reconciliations, including outstanding checks.

Lack of Segregation of Duties

The OIG found that the CFO initiates electronic payroll transactions and is also responsible for reconciling and recording these transactions to the general ledger. In addition, there is no secondary review and approval over the payroll transfers. The grantee stated that the Accounting Specialist would normally initiate and perform the transfers, then the CFO would perform the review. However, the Accounting Specialist is not a permanent employee, and the responsibility has not been reassigned. The grantee stated that they are making efforts to ensure proper controls exist over the payroll functions and recognized the need for help from additional accounting staff to segregate the duties.

The LSC Accounting Guide § 3-4 states that "duties must be segregated so that no individual can initiate, execute, and record a transaction without a second independent individual being involved in the process." Also, the LSC Accounting Guide § 3.5.15 states that "a timely process for review and approval of electronic transactions should be in place to assure that the transactions are reasonable, appropriate and accurate. Electronic banking transactions should be recorded to the general ledger by an individual who does not initiate or transmit the electronic transactions." Lastly, the LSC Accounting Guide, Appendix VII, provides additional guidance and indicates that the electronic banking transactions are timely reviewed and approved by someone other than the person initiating the transaction, the bank accounts are reconciled by someone who does not initiate electronic transactions, and the electronic activity is posted to the general ledger by someone who does not initiate the electronic transaction.

Without segregation of duties and management review over electronic payroll transactions its controls and resources are at risk for abuse.

Inadequate Procedures and Processes Over Bank Reconciliations

To determine whether the grantee has internal controls in place over the bank reconciliation process, the OIG selected a simple random sample of 15 bank reconciliations from active bank accounts comprised of operating, payroll, client trust and savings. We reviewed bank reconciliation records along with the bank statements from March 2017, June 2018, and July 2019.

We noted the following inadequate procedures over bank reconciliations:

Unresolved Outstanding checks

The bank reconciliation records from June 2018 and July 2019 had ten unresolved outstanding checks.

Untimely bank reconciliations

All 15 bank reconciliations were not performed timely. They were performed one to two months after the statement end-date.

Undocumented review and approval of bank reconciliations

All 15 bank reconciliations were missing the date of the Executive Director's review. Therefore, we could not determine whether the bank reconciliations were reviewed timely.

The Executive Director signs the bank statements upon receipt from the mail. Also, the Fiscal Administrator performs the bank reconciliations and submits them to the Executive Director for review and approval. However, the OIG identified bank reconciliations that were not signed, dated or both. See Table VII, below.

Table VII – Bank Reconciliations

Missing Signature, Date and Documentation from Bank Reconciliation Records		
	Executive Director	Fiscal Administrator
Missing signature to document initial receipt	2	N/A
Missing signature and date to document review and approval	5	N/A
Missing date to document when review and approval was performed	15	N/A
Missing signature to document when bank	N/A	10

Missing Signature, Date and Documentation from Bank Reconciliation Records		
reconciliations are performed		

The grantee stated that efforts are being made to perform the bank reconciliations timely. The outstanding checks were management oversight. In early 2019, the grantee implemented the use of signature stamps to ensure that the appropriate documentation and signatures are obtained from the Executive Director and Fiscal Administrator. The Executive Director was unsure why she may have missed any signatures and dates on the bank statements and reconciliations as she tries to ensure that she is adequately documenting both.

The LSC Accounting Guide § 3-5.2 states that bank statements shall be reconciled monthly to the general ledger and reconciliation procedures shall be documented to ensure timeliness and accuracy. The reconciliation shall be reviewed and approved by a responsible individual. Such review shall be appropriately documented by signature and date. The grantee's Accounting Manual also states that all bank statements are given unopened to the Executive Director. The Executive Director reviews them for unusual balances and transactions. The Executive Director signs, then submits the bank statements to the Fiscal Administrator for timely reconciliations. The Fiscal Administrator will investigate any checks that are outstanding over three months. Timeliness and proper reconciliation procedures will substantially increase the likelihood of irregular disbursements and recording errors being discovered on a timely basis.

The OIG recommends that the Executive Director:

Recommendation 25: ensure that no individual can initiate, execute, and record a payroll transfer without a second independent individual being involved in the process.

Recommendation 26: ensure that outstanding checks for over three months are investigated and resolved.

Recommendation 27: ensure that the bank reconciliations are performed monthly and timely.

Recommendation 28: ensure that the person responsible for performing bank reconciliations documents the reconciliations with signature.

Recommendation 29: ensure that the person responsible for reviewing and approving the bank reconciliations documents the review and approval with signature and date.

PAYROLL

The OIG found that CCLA's written policies and procedures over payroll are comparable to LSC's *Fundamental Criteria*. However, the OIG found inadequate restrictions over user access rights and inadequate reviews and approvals of employee timesheets.

Inadequate Restriction Over User Access Rights

The OIG found that both the HR Coordinator and the Fiscal Administrator have "administrator" rights to the payroll software system. CCLA uses a payroll software through Paylocity, a payroll servicing company. As administrators of the payroll system, they can make changes to pay rates, including their own. The OIG found that grantee management does not periodically review and verify the payroll register data for accuracy.

The CFO explained that while the system allows them to make changes to their own pay rates, they are not allowed to do so. In practice, there are procedures in place allowing the CFO to make changes to the HR Coordinator's pay rate and vice versa. Per the CFO, the Executive Director review of payroll registers is not part of their current process.

The LSC Accounting Guide § 3-5.14 states that "general controls apply to all computer processing carried out at a facility and are independent of specific applications. They relate to organization, system design, development, modifications, and security. Management must take an active role in EDP functions." The LSC Accounting Guide § 3-6 provides key practices for fraud prevention, including controlling access to check stock, on-line banking software, accounting software and payroll software. Without management review and control over Electronic Data Processing (EDP), its' functions and controls are readily subject to misuse or fraud.

Inadequate Review and Approval of Timesheets

The OIG judgmentally selected payroll records from November 2019 and December 2019. The sample was comprised of 50 timesheets over five pay periods. We identified 20 timesheets with no supervisory approval.

The Executive Director stated that their timekeeping system was instituted in 2019. Prior to 2019, CCLA was using paper timesheets. The Executive Director explained that there was a learning curve for the staff to shift to electronic timesheets and to remember the additional step of going into the system each week. They were all new to the system and some supervisors were not familiar with the timesheet approval tool. The Executive Director stated that she will continue to emphasize that supervisors approve timesheets and leave requests before payroll is processed.

The LSC Accounting Guide § 3.5.5 states that "an attendance record or time record shall be maintained for each employee and shall be approved by the employee's supervisor."

Without review, approval and documentation of employee timesheets, an employee may be paid for days or hours not worked.

The OIG Recommends that the Executive Director:

Recommendation 30: review and restructure the user access rights over the payroll system so that employees who are system administrators are not able to change their own payrate.

Recommendation 31: periodically review the payroll register for verification of pay rates, including but not limited to changes to pay rates, and the addition or deletion of employees.

Recommendation 32: ensure that staff receive training for completing, reviewing and approving electronic timesheets.

Recommendation 33: ensure that supervisors review and approve manual or electronic timesheets with signature and date.

CONTRACTING

The OIG reviewed CCLA's contracting policies, procedures, and practices in place to determine whether the grantee has adequate internal controls over the contracting process. CCLA's written policies and procedures over contracting are comparable to LSC *Fundamental Criteria* and identify procedures for various types of contracts. However, the grantee did not consistently follow its written policies and procedures or adhere to LSC regulations due to inadequate documentation and contracts not maintained in a central file.

The OIG judgmentally selected four contracts with funds expended for a total of $1,584,281 during the audit scope. Two of the contracts were agreements with LAS and considered related party transactions, one was competitively bid, and one was selected through written estimates or quotes as described in Table VIII, below.

Table VIII – Contracts

Vendor Type	Type of Contract	Contract Threshold[10]	Amount Expended During the Audit Scope of 12/1/2017 to 12/31/2019
Lease Agreement	Related Party Transaction	Over $25,000	$756,699
Administrative Services Agreement	Related Party Transaction	Over $25,000	$734,595
Auditor Engagement - Independent Public Accountant (IPA)	Competitively Bid	Over $25,000	$79,500
Record Retention Storage	Written Estimates or Quotes	Between $2,000 and $10,000	$13,487
		Total	**$1,584,281**

<u>Inadequate Processes Over Contract Documentation</u>

The OIG found that the grantee did not maintain the sole source justifications for the LAS administrative agreement. The OIG verified that LSC's Office of Compliance and Enforcement (OCE) approved the grantee's use of LSC funds for LAS' contracts for the administrative agreement. In addition, the OIG inquired whether sole source justifications were provided to OCE. According to the OCE approval memo, the grantee provided a written sole source justification. However, the grantee did not maintain the documentation. The grantee also did not have documentation to support the selection

[10] The Contract Threshold in Table VIII refers to the procurement policy in the <u>Accounting Manual</u> where it states procurement transactions, regardless of method or dollar value, will be open and free competition consistent with the standards of 45 CFR Part 1631. If CCLA plans to enter into a contract for certain purchases or services using more than $25,000 of LSC funds CCLA must request and receive LSC's prior approval in accordance with the above regulation. Also, purchases of supplies, equipment and services which cost between $2,000 and $10,000 will require written estimate but no legal advertisement is requirement. CCLA will solicit written responses from at least three vendors. If fewer than three responds to the solicitation, CCLA will select the vendor and prepare a statement explaining the basis for the selection.

process for two vendors; one of which was the grantee's independent public accountant and the other a record storage vendor. All four contracts and the corresponding documentations were not centrally filed.

The Executive Director and Executive Assistant did not have any knowledge of documentation for sole source justification for the LAS administrative services contracts. The grantee believes the IPA was selected because it was the only firm to respond to the request for proposal (RFP) and that the record storage company was procured based on storage needs and price.

The LSC Accounting Guide § 3-5.16 states that" the process used for each contract action should be fully documented and the documentation maintained in a central file. Any deviation from the approved contracting process should be fully documented, approved, and maintained in the contract file." In addition, the grantee's Personnel Manual states that "all source documents supporting any given transaction (receipts, purchase orders, invoices, RFP/RFQ data and bid materials) will be retained and filed in an appropriate manner. Whatever form of documentation and filing is employed, the purpose of this section is to ensure that a clear and consistent audit trail is established. At a minimum, source document data must be sufficient to establish the basis for selection, basis for cost, (including the issue of reasonableness of cost), rationale for method of procurement and selection of contract type, and basis for payment."

Contracting is a high-risk area for potential abuse and fraud. Proper documentation helps ensure that the approved contract has followed all established procedures and documented proper sole source justifications. Without proper documentation of contract agreements, the grantee may be subject to improper contracting actions.

The OIG recommends that the Executive Director:

Recommendation 34: ensure that contracts along with all pertinent documents related to competition, evaluation of bids, sole source justifications, and rationale for vendor selections are maintained on-file.

Recommendation 35: establish a centralized filing system for all contracts and ensure documentation is maintained.

MANAGEMENT REPORTING AND BUDGETING

The OIG reviewed CCLA's written policies and procedures in place over management reporting and budgeting. In particular, the OIG performed testwork to determine whether CCLA's monthly management reports comprise of total program budget versus actual, trial balance and statement of cash on hand. The OIG judgmentally selected monthly management reports from March 2017, December 2018, and September 2019.

The OIG found that CCLA's written policies regarding management reporting mostly complied with the *Fundamental Criteria;* however, the budgeting policies and procedures were not documented in the grantee's Accounting Manual. In addition, the deadlines for the monthly management reports were not defined in the Accounting Manual. The OIG also found that monthly management reports were not prepared timely.

Inadequate Budgeting and Management Report Policies and Procedures

The OIG found that CCLA appears to have adequate budgeting processes in place. However, these practices were not documented in writing or included in the Accounting Manual. In addition, the Accounting Manual does not include a deadline for preparation of the monthly management reports.

CCLA management agreed that the budgeting procedures should be included in the grantee's Accounting Manual and stated that its exclusion was most likely due to management oversight. CCLA management also stated they would set the prescribed number of days after month-end for management reports to be prepared and include them in the grantee's Accounting Manual.

The Accounting Guide § 3-4 states that "each recipient must develop a written accounting manual that describes the specific procedures to be followed by the recipient in complying with the Fundamental Criteria." The LSC Accounting Guide § 3-5.9(a) states that "the director should receive a monthly management report within a prescribed number of days after month-end" and that "the director should use the monthly management reports to ensure that all program resources are used efficiently and effectively."

Written policies and procedures serve as a method to document the design of controls and adequately communicate them to the staff.

The OIG recommends that the Executive Director:

Recommendation 36: develop written policies and procedures for budgeting that describe the processes and controls in sufficient detail in accordance with LSC's Fundamental Criteria.

Recommendation 37: include a specific deadline or prescribed number of days after month-end for the preparation of monthly management reports in the Accounting Manual.

OIG EVALUATION OF GRANTEE MANAGEMENT COMMENTS

CCLA provided their responses to the OIG's Draft Report via email on May 17, 2021. CCLA management agreed with all the findings and the 37 recommendations. CCLA's responses are included in their entirety in Appendix IV.

The OIG considers CCLA's comments and actions provided for Recommendations 2, 3, 7, 15, 18 to 20, 22, 31, and 33 to 35, as fully responsive and closed.

The OIG considers CCLA's comments and proposed actions to Recommendations 1, 4 to 6, 8 to 14, 16, 17, 21, 23 to 30, 32, 36 and 37 as responsive. However, these 25 recommendations will remain open until the OIG receives the following items mentioned below:

- Recommendation 1: The organization and corporate structure changes reflecting the Board and LSC management approval.
- Recommendation 4: Records reflecting that administrative staff salaries related to the administrative service contract are billed monthly based on actual payroll amount.
- Recommendations 5 and 6: The Board approved and amended CAM agreement with the allocation formula and approval process for the CAM charges.
- Recommendations 8, 9, 13, 16, and 17: The Board approved revised cost allocation policy, including procedures for LSC unallowable costs.
- Recommendations 10, 12, and 14: The revised credit card policy.
- Recommendation 11: The Board approved revised employee reimbursement policy.
- Recommendation 21: A screen shot of the fixed asset module reflecting that the elements per LSC's *Fundamental Criteria* are included in fixed asset the module.
- Recommendation 23: Proof of tagging system and the most recent record reflecting that all fixed assets are tagged.
- Recommendation 24: Updated Accounting Manual with procedures for recording, tagging, and inventory of property purchased with LSC funds.
- Recommendation 25 and 30: Payroll policies and procedures indicating that payroll transfers are independently performed and reviewed and that the Executive Director reviews the bi-weekly of payroll records. The OIG noted that CCLA provided a copy of the updated payroll procedures. However, it did not include procedures indicating that the payroll transfer is performed by the Accounting Assistant and reviewed by the Fiscal Administrator.
- Recommendation 26: Updated Accounting Manual with procedures for voiding and resolving checks that have been outstanding over 90 days.

- Recommendation 27, 28, and 29: Updated Accounting Manual indicating that bank reconciliations are performed within 20 days from end-of-month and a copy of the most recent bank reconciliation record reflecting that it's been performed within 20 days from end-of-month with the preparer and reviewer signature, and date.
- Recommendation 32: A record indicating that training was performed and received. The record could be the sign-off sheet for the training attendees, an email or memo sent to staff to attend the training.
- Recommendation 36: Revised budgeting policies and procedures.
- Recommendation 37: Updated Accounting Manual indicating the 30-day deadline for the preparation of monthly management reports by July 2021.

In addition, the OIG is referring the following items to LSC management for further review and action:

- The matter relating to lack of appearance of separation of CCLA and LAS personnel which may result in non-compliance with LSC regulation 45 CFR § 1610.8.
- The deviations from the contracted administrative positions that were supported with LSC funds resulting in questioned costs totaling $31,633.
- The discrepancies in payments for LAS administrative staff salaries and benefits, resulting in questioned costs of $38,654, that were supported by LSC funds, as listed below:
    - Salaries totaling $25,172
    - Benefits totaling $10,283
    - Payments to temporary employees $3,199
    - Potential subsidization of restricted activities in violation of 1610.8(a)(2)
- Questioned costs of $21,837, resulting from discrepancies in allocation rates for salaries and benefits, which were supported with LSC funds, as listed below:
    - Salaries totaling $14,186
    - Benefits totaling $7,651
    - Potential subsidization of restricted activities in violation of 1610.8(a)(2)
- Questioned costs totaling $284,397 for administrative and indirect costs that were inequitably allocated to LSC pursuant to 45 CFR § Part 1630.5(c)(1).

APPENDIX I- SCOPE AND METHODOLOGY

To accomplish the audit objective, the OIG identified, reviewed, evaluated, and tested internal controls related to the following activities:

- Credit Cards
- Disbursements
- Fixed Assets
- General Ledger and Financial Controls
- Payroll
- Cost Allocation
- Contracting
- Management Reporting and Budgeting
- Derivative Income
- Employee Benefits
- Client Trust Funds
- Program Integrity and Related Party Transactions

The OIG evaluated select financial and administrative areas and tested the related controls to ensure that costs are adequately supported and allowed under the LSC Act and LSC regulations during the period of January 1, 2017 through December 31, 2019.

To obtain an understanding of the internal control framework and CCLA's processes over areas listed above, we (1) reviewed grantee's policies and procedures, including manuals, guidelines, memoranda, and directives, setting forth current grantee practices and (2) interviewed grantee management and staff.

To review and evaluate internal controls, the OIG designed and performed audit procedures to obtain sufficient and appropriate evidence to support conclusions over the design, implementation, and operating effectiveness of controls significant to the audit objectives. Furthermore, the OIG conducted direct tests, including inquiry, observation, examination, and inspection, of source documents to determine whether the grantee's internal control system and policies and procedures complied with the guidelines in the *Fundamental Criteria of an Accounting and Financial Reporting System (Fundamental Criteria)* contained in the LSC Accounting Guide.

In accordance with Government Auditing Standards, the OIG assessed the reliability of CCLA's computer-generated data. To determine whether the data is reasonably complete, accurate, and consistent, the OIG reviewed supporting documentation, conducted interviews, performed logical tests, traced to and from source documents, and reviewed selected system controls. The OIG determined the data as sufficiently reliable for the purposes of this report, except for Fixed Assets.

The OIG also assessed significance and audit risk. The OIG determined that internal controls in select financial and operational areas mentioned above were significant to the audit objective. Audit risk is defined as the possibility that audit findings, conclusions, recommendations or assurance may be improper or incomplete as a result of factors such as, evidence that is not sufficient or appropriate, an inadequate audit process, or intentional omissions or misleading information because of misrepresentation or fraud. Based on our consideration of these factors, we determined the audit risk level to be low.

A non-statistical sampling methodology was used to select samples for testing. We determined that a non-statistical methodology would be appropriate based on the audit objective, scope, nature of the grantee and audit timeline. Our results cannot be projected to the universe and are not intended to make inferences about the populations from which our samples were derived.

To test for the appropriateness of expenditures and the existence of adequate supporting documentation, we reviewed disbursements from a sample of vendor files. The OIG applied a judgmental sampling methodology to select a sample of 85 disbursement transactions, totaling $1,149,633 for testwork. The sample represented approximately 25 percent of the $4,551,875 disbursed for expenses other than payroll and credit cards during the period January 1, 2017 through December 31, 2019. To assess the appropriateness of expenditures, we reviewed invoices and vendor lists, then traced the expenditures to the general ledger. The appropriateness of those expenditures was evaluated based on the grant agreements, applicable laws and regulations, and LSC policy guidance.

In addition to the disbursements, we reviewed 127 transactions, totaling $37,141 from seven credit card statements. The sample represented approximately 54 percent of the transactions totaling $69,332. Of the seven credit card statements, three were randomly selected to ensure that each transaction within the population has an equal chance of selection; and four were judgmentally selected to identify transactions of large amounts and unfamiliar vendors. We also assessed the appropriateness of the expenditures and the existence of approvals and adequate supporting documentation.

To determine whether the grantee has adequate internal controls over general ledger and financial controls we reviewed process and transactions involving petty cash, cash receipts, bank account reconciliations, and trial balance reports. In addition, to evaluate and test internal controls over the employee benefits, payroll, contracting, client trust funds, management reporting and budgeting, as well as derivative income, we interviewed appropriate program personnel. Additionally, we examined related policies and procedures as applicable and selected specific transactions to review for adequacy and compliance with LSC regulations and guidelines.

To evaluate the adequacy of the cost allocation process and to determine whether the allocation methodology is reasonable and in compliance with LSC regulations and guidelines, we discussed the process with grantee management and requested, for review, the grantee's written cost allocation policies and procedures as required by the LSC Accounting Guide. We reviewed selected transactions to determine if the amounts allocated were in conformity with the documented allocation process and if the transactions were properly allocated in the allocation spreadsheet and the general ledger.

Controls over purchase, record, inventory, and disposal of property and equipment were reviewed by examining current grantee practices in comparison with LSC regulations and policies outlined in the LSC Accounting Guide.

The OIG assessed the grantee's compliance with LSC regulation 45 CFR §1610.17, Program Integrity, to determine whether objective integrity and independence exist from LAS, an organization that engages in restricted activities.

To assess the related party transactions, the OIG reviewed the lease agreement and administrative service contract to determine whether the lease amount was within the market value, the common area maintenance charges were adequately documented and supported, and the salary and benefit payments were consistent with the terms of the administrative contract.

The on-site fieldwork was conducted from February 18 through 26, 2020. Our work was conducted at the grantee's administrative office in Plantation, FL and at LSC headquarters in Washington, DC. Documents reviewed pertained to the period of January 1, 2017 through December 31, 2019.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the internal control components and underlying principles that we determined to be significant to the audit objectives as shown in Appendix II – Assessment of Internal Control Components and Principles. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Additionally, the OIG assessed whether it is necessary to evaluate information systems controls. The OIG determined that information system controls are significant to the audit objective and evaluated information system controls related to specific grantee operations, oversight, program expenditures, and fiscal accountability. Our internal control review includes performing audit procedures related to information system controls to obtain sufficient, appropriate evidence to support and document our findings and conclusions on implementation and effectiveness of internal control at the grantee. We determined that no further audit procedures relating to information systems controls were needed.

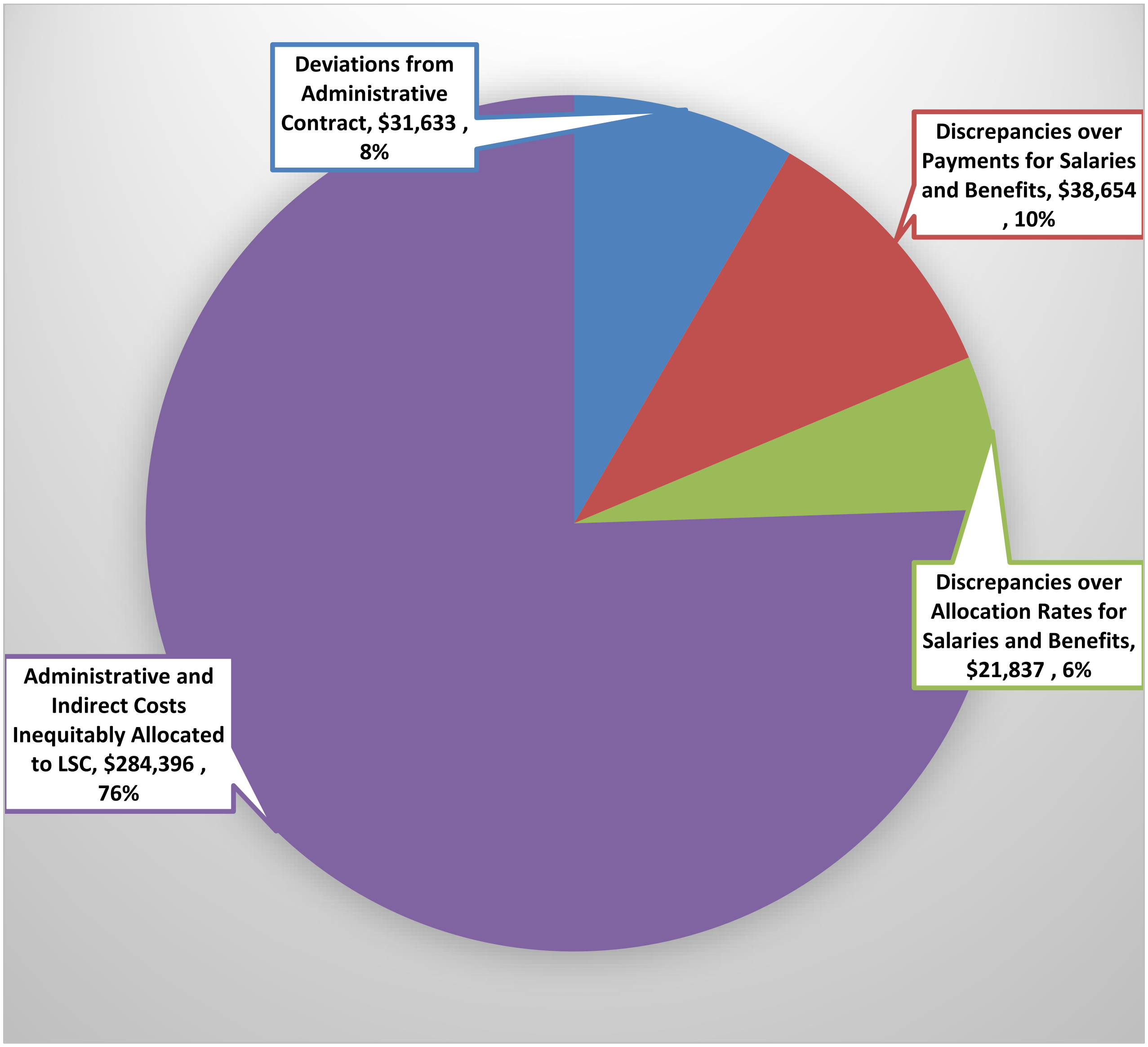
APPENDIX II – ASSESSMENT OF INTERNAL CONTROL COMPONENTS AND PRINCIPLES[11]

<table>
<tr><th colspan="2">Component of Internal Control</th><th colspan="2">Principle</th><th rowspan="2">Significant/ Material to Audit Objectives?</th></tr>
<tr><th>Name</th><th>Overview</th><th>Number</th><th>Description</th></tr>
<tr><td rowspan="2">Control Environment</td><td rowspan="2">The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.</td><td>2</td><td>The Oversight Body Should Oversee the Entity's Internal Control System</td><td>Yes</td></tr>
<tr><td>3</td><td>Management Should Establish an Organizational Structure, Assign Responsibility, and Delegate Authority to Achieve the Entity's Objectives</td><td>Yes</td></tr>
<tr><td rowspan="2">Control Activities</td><td rowspan="2">Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.</td><td>10</td><td>Management Should Design Control Activities to Achieve Objectives and Respond to Risks</td><td>Yes</td></tr>
<tr><td>11</td><td>Management Should Design the Entity's Information System and Related Control Activities to Achieve</td><td>Yes</td></tr>
</table>

[11] The numbers correspond with the principles outlined in the *Standards for Internal Control in the Federal Government.* The Principles No. 1, 4, 5, 6, 7, 8, 9, 16 and 17 not included in Appendix II were considered during the audit. However, these Principles were determined to not be significant to the audit objectives.

Component of Internal Control		Principle		Significant/ Material to Audit Objectives?
Name	Overview	Number	Description	
			Objectives and Respond to Risks	
		12	Management Should Implement Control Activities Through Policies	Yes
Information and Communication	Management uses quality information to support the internal control system. Effective information and communication are vital for an entity to achieve its objectives. Entity management needs access to relevant and reliable communication related to internal as well as external events.	13	Management Should Use Quality Information to Achieve the Entity's Objectives	Yes
		14	Management Should Internally Communicate the Necessary Quality Information to Achieve the Entity's Objectives	Yes
		15	Management Should Externally Communicate the Necessary Quality Information to Achieve the Entity's Objectives	Yes

APPENDIX III – QUESTIONED COSTS REFERRED TO LSC MANAGEMENT[12]



[12] The OIG noted that the total underpayment amount of $2,933 charged to CCLA may partially mitigate the overpayments totaling $376,520 to LAS and the potential subsidization of restricted activities. If the underpayment of $2,933 is applied, the potential subsidization could be reduced to $373,587. The overpayments were from discrepancies over allocation rates for salaries and benefits, $21,837; deviations from the administrative contract, $31,633; discrepancies over payments for salaries and benefits, $38,654; and administrative and indirect costs inequitably allocated to LSC, $284,396 as shown in Appendix III.

May 17, 2021

Darrel Philpott, Auditor
Roxanne Caruso, Assistant Inspector General for Audit

RE: Coast to Coast Legal Aid of South Florida, Inc.
RNO 610090
Response to Draft Report on Selected Internal Controls

Dear Mr. Philpott and Ms. Caruso:

In response to your letter and Draft Report on Selected Internal Controls dated April 16, 2021, we have completed the response and tracking form, which is attached.

Coast to Coast Legal Aid of South Florida, Inc.'s (CCLA) Board of Director's recently engaged an independent party, with expertise in LSC rules and regulations, to evaluate the organizational structure and the relationship between CCLA and Legal Aid Service of Broward County, Inc. (LAS). As a result of the report recommendations, alternative organizational and corporate structures are being considered. Regardless of the future of the organizational structure, it is CCLA's intention to implement a plan to further the separation of fiscal responsibilities by adding additional fiscal personnel to our team.

Once the new structure is approved by the Board, the Executive Director will develop processes, policies and procedures to ensure that CCLA implements sufficient separation of personnel to maintain objective integrity and independence from LAS. Utilizing a skilled accountant or fiscal manager with experience in a large legal aid organization as a consultant during this transition has also been recommended. If needed, budgetary amendments for additional hiring in the fiscal department will be approved by the Board.

Estimates as to time frame implementation of corrective remedial actions stated below were made in good faith. However, some are dependent upon the structure ultimately decided upon by the Board of Directors. Complete implementation of certain recommendations may be delayed due to restructuring. In the long run, it is anticipated that any restructuring will enhance program integrity and all internal controls.

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(954) 736-2400 (954) 736-2482
P.O. Box 120970 | Ft. Lauderdale, FL 33312-0016
www.coasttocoastlegalaid.org

The following are the actions we intend to take based upon your recommendations:
1.The OIG recommends that the Executive Director consult with LSC Management to develop processes, policies, and procedures to ensure CCLA's engagement with LAS meets the criteria related to the existence of separate personnel per 45 CFR § 1610.8

AGREE

CORRECTIVE/REMEDIAL ACTION:
CCLA has proactively begun to physically and financially separate from LAS, including by hiring new personnel. Effective December 2020, in accordance with the CCLA hiring policy, CCLA employed an independent Fiscal employee strictly for CCLA. This Fiscal position was hired as our Controller. This position has the role and responsibilities of CCLA's Fiscal personnel in conjunction with the LAS shared services.
Additionally, CCLA recently engaged an independent party, with expertise in LSC rules and regulations to evaluate the organizational structure and the relationship between CCLA and LAS. Alternative organizational and corporate structures are being considered. It is CCLA's intention to implement a plan to further the separation of fiscal responsibilities by adding additional fiscal personnel to our team.

Once approved by the Board, the Executive Director will develop processes, policies and procedures to ensure that CCLA implements sufficient separation of personnel to maintain objective integrity and independence from LAS. If needed, budgetary amendments for additional hiring in the fiscal department will be approved by the Board.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Interim, Executive Director, Lisa G. Goldberg and CCLA Fiscal Personnel

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:
A Controller was hired in December 2020. Upon Board of Directors approval of an organizational and corporate structure, which is anticipated by the June 2021 Board meeting, fiscal policies regarding separation of duties adequate to meet 45 CFR §1610.8 will begin to be further implemented.

FOLLOW-UP PROCESS:
CCLA Management and the Fiscal Team will meet each week to monitor and modify the corrective action as needed, quantify gaps, collect and analyze data, increase CCLA Fiscal team, etc., while updating policies, procedures, segregation of duties, internal controls, while adhering to LSC guidelines.

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Updated Fiscal policy, procedure and process adhering to the LSC Accounting Guide 2010 Edition and the LSC 2020 Proposed Financial Guide.
Additional fiscal employees hired to ensure proper separation of fiscal personnel – organizational chart can be provided upon restructuring.
Approved budget detailing the fiscal personnel.

2. The OIG recommends that the Executive Director adequately document any changes or deviations to the administrative contract including, but not limited to, (1) addition and removal of administrative positions, and (2) changes to the agreed-upon allocation.

AGREE

CORRECTIVE/REMEDIAL ACTION:

1. All changes or deviations to the administrative contract shall be documented in a written agreement, signed and dated by CCLA's Interim Executive Director, and LAS's Executive Director.
2. All changes or deviations to the administrative contract shall address with specificity any additions to or removal of administrative positions and/or changes to the agreed upon allocation.
3. Any relevant documentation in support of changes, deviations or removals shall be attached to the written agreement.
4. A central file shall be established and maintained by the Fiscal Department entitled "Administrative Services Contract Changes or Deviations."

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:
This has been implemented - May 2021

FOLLOW-UP PROCESS:
All changes or deviations to the administrative services contract shall be documented in a written agreement and shall be placed into the central file entitled "Administrative Services Contract Changes or Deviations."

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OFFOLLOW-UP
All written agreements memorializing changes or deviations to the administrative contract.

3. The OIG recommends that the Executive Director request, review, and verify adequate supporting document for the salaries and benefits paid to LAS, make necessary corrections or adjustments corresponding to the administrative contract in 2019. Document and review the results.

AGREE

CORRECTIVE/REMEDIAL ACTION:

1. In May 2021, CCLA's Executive Director wrote LAS's Executive Director and Chief Financial Officer to request supporting documentation to support the cost allocation as to gross salary and benefits paid to LAS in 2019 and 2020 for the staff positions set forth in the ASC.
2. CCLA's Fiscal Employees shall analyze the documentation provided, shall make corrections or

adjustments, and shall verify that reconciliation of CCLA and LAS's financial obligations are adjusted accurately.

3. This request, review and verification shall take place annually or sooner if modifications are presented by LAS, so long as the ASC remains in effect.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
CCLA Controller and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

The Interim Executive Director already received documentation for 2019 and 2020.

Documents for the first month of 2021 will be available after July 2021.

FOLLOW-UP PROCESS:
CCLA's Executive Director shall continue to request supporting documentation to support the cost allocation as to gross salary and benefits paid to LAS annually or sooner if modifications are presented by LAS.
CCLA Controller/Fiscal Personnel shall review and verify.

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Supporting documentation for the salaries and benefits paid to LAS

4. The OIG recommends that the Executive Director reconsider other bases for billing the administrative staff's salaries and benefits instead of estimated or budgeted amounts with appropriate management and document on-file.
AGREE

CORRECTIVE/REMEDIAL ACTION:

Effective July, 2021, the monthly administrative salaries are being billed monthly based on the actual payroll amount per individual on the contract at the projected percentage based on the contract at the beginning of the period.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

July 1, 2021

FOLLOW-UP PROCESS:

1. Monthly administrative salaries will be billed monthly based on the actual payroll amount per individual on the contract at the projected percentage based on the contract at the beginning of the period.
2. CCLA Controller/Fiscal Personnel will review the general ledger to ensure proper billing of administrative salaries and benefits.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Payroll Register

5. The OIG recommends that the Executive Director update and document the formula for allocating the CAM charges based on headcount when changes occur.
AGREE

CORRECTIVE/REMEDIAL ACTION:

1. The current Common Area Maintenance agreement states that the reconciliation of the head count is done at year end. The present Common Area Maintenance agreement will be amended to include the requirement for quarterly review.

2. Proposed Amendment will be brought before LAS and CCLA Boards for approval of amendment.
NAMES & TITLES OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

After the September 2021 Board Meeting

FOLLOW-UP PROCESS:

1. Amendment to CAM Agreement will be drafted and brought before the Board for Approval.
2. Following approval, the new formula for allocating the CAM charges will be modified and reviewed each quarter.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Once reviewed and approved, it is concluded.

6. The OIG recommends that the Executive Director review the terms of the lease agreement and update them accordingly to clearly define billing procedures for CAM charges including, but not limited to, the basis for the formula, review and approval process, and define what documentation should be supplied prior to payment to substantiate the transactions.
AGREE

CORRECTIVE/REMEDIAL ACTION:

The lease agreement requires that an annual reconciliation of CAM charges be conducted after the

independent financial audit of LAS books is completed. The lease agreement will be revised to include the formula, process and frequency of this reconciliation.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

May 21, 2021- CAM Reconciliation

Revisions will take place prior to execution of new CAM Agreement

FOLLOW-UP PROCESS:

Reconciliation will be presented to the CCLA Executive Director for review

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Receipt of annual reconciliation with supporting documentation

7. The OIG recommends that the Executive Director ensure that the source documents for the CAM charges such as receipts, invoices and contracts are verified, documented and maintained on-file.
AGREE

CORRECTIVE/REMEDIAL ACTION:

Effective January 1, 2021, a fund entitled "CAM charges" was established in LAS accounting system which tracks the invoices charged per the contract and is available upon request.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O., CCLA Controller and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Already implemented. Invoices available upon request

FOLLOW-UP PROCESS:

All supporting documentation is available to support CAM charges

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Supporting documents for the CAM charges such as receipts, invoices and contracts

8. The OIG recommends that the Executive Director ensure that costs related to the administrative service contract and lease are allocated equitably among the applicable funding sources.

AGREE

CORRECTIVE/REMEDIAL ACTION:

The CAM charges were revised for the 2021 year with respect to allocation and how costs are determined. The reconciliation and supporting documents submitted will provide the documentation required for review and documentation.

New fund entitled "Administration" was opened in 2021, and all indirect costs are charged to that fund.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Already in effect

FOLLOW-UP PROCESS:

At the conclusion of the year, the CFO prepares a schedule that shows the allocation of the indirect costs.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

General ledger reports

9. The OIG recommends that the Executive Director update the Accounting Manual to ensure that the allocation methodology is (1) compliant with 45 CFR§ 1630.5 (f) and (2) common expenses are allocated in fair, consistent, and in an equitable manner to individual cost centers, and funds.

AGREE

CORRECTIVE/REMEDIAL ACTION:

An updated cost allocation methodology policy is being prepared by the Chief Financial Officer and is due to LSC on May 17, 2021.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O. and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Being submitted to LSC on May 17, 2021

FOLLOW-UP PROCESS:

Adherence to the new methodology in allocating indirect costs in a fair and consistent manner.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
<u>DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP</u>
The distribution base which is the basis of the fair allocation.

10. The OIG recommends that the Executive Director update the credit card policies to ensure that only authorized holders use them and to outline the role of the Executive Assistant with respect to credit card usage.
<u>AGREE</u>

<u>CORRECTIVE/REMEDIAL ACTION</u>:
1. Since the Office of Inspector General last visited, a new credit card policy was implemented, having been passed by the Board of Directors on April 22, 2020.
2. An Amended credit card policy and procedures has been drafted and will be submitted for approval at the September meeting of the Board of Directors.

The role of all staff members who receive use of a credit card is outlined with specificity.
<u>NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION</u>:
Interim Executive Director, Lisa G. Goldberg

<u>TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:</u>
September 2021 Board Meeting

<u>FOLLOW-UP PROCESS:</u>
1. CCLA Fiscal Employee will ensure all credit card statements are matched up with receipts monthly.
2. Monthly review of Executive Director's credit card statements and supporting documentation by Board Chair, Treasurer or Executive Committee.
3. Monthly review of all staff member's credit card statements by Board Chair, Treasurer or Executive Committee.

<u>TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:</u>

CCLA Controller/Fiscal Personnel
<u>DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP</u>
Credit Card Statements and supporting documents.

11. The OIG recommends that the Executive Director ensure that CCLA staff follows the grantee's policy that every employee reimbursement or purchase request be documented on the approved form. Also, keep documentations on file.
<u>AGREE</u>

<u>CORRECTIVE/REMEDIAL ACTION</u>:

1. CCLA utilizes a CCLA Employee Expense Report for local travel and modest expenses related to legal representation or outreach. All reimbursements to employees for purchases must be directly related to work, and must adhere to the Employee Purchase and Reimbursement Policy.
2. An Employee Purchase and Reimbursement Policy has been drafted, and will be submitted for

approval to the Board of Directors.
3. Prior approval must be obtained for travel, training and more significant purchases.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:
September 2021 Board Meeting

FOLLOW-UP PROCESS:
1. The Employee Purchase and Reimbursement Policy will be approved by the Board of Directors.
2. The Staff will adhere to the policy.
3. The Staff will complete the Expense Report for Reimbursement.

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Employee Expense Reports

12. The OIG recommends that the Executive Director ensure that the Board's Executive Committee's review and approval of the Executive Director's credit card transactions is implemented, and documentation kept on-file.
AGREE

CORRECTIVE/REMEDIAL ACTION:
1. An Amended Credit Card Policy and Procedures has been drafted, and will be submitted for approval to the Board of Directors.
2. Among the procedures contained in the Policy is the following:
   With regard to the receipt of the Executive Director's expenses on the credit card statement monthly, the Fiscal department will match the receipts to the individual items and assign the appropriate accounting and fund code. The credit card statement along with a summary will be submitted to the Board Chair, Treasurer or other designated member of the Executive Committee for approval monthly. Any items that do not have a corresponding receipt will be the personal responsibility of the Executive Director (unless the expenditure is an authorized monthly deduction).

3. All documentation shall be maintained by the CCLA Fiscal Personnel.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:
September 2021 Board Meeting

FOLLOW-UP PROCESS:

1. Each month the Fiscal Department will match the receipts to the individual items and assign the appropriate accounting and fund code.
2. Monthly the credit card statement along with a summary will be submitted to the Board Chair, Treasurer or other designated member of the Executive Committee for approval.

<u>TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:</u>

CCLA Controller/Fiscal Personnel
<u>DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP</u>
1. Credit card statements and supporting documents.
2. Approval of the Board Chair, Treasurer or Executive Committee

13. The OIG recommends that the Executive Director ensure that LSC unallowable costs are charged to funding sources other than LSC and all CCLA staff is knowledgeable of LSC regulations and guidelines, in particular §1630.5(a).
<u>AGREE</u>

<u>CORRECTIVE/REMEDIAL ACTION</u>:

In 2020 an Administrative funding source was assigned in the accounting system where all indirect costs are allocated. At intervals to be determined, presently done at year end, the charges are allocated to all funding sources based on the amount available utilizing the simplified cost allocation method. Where funders do not allow for indirect costs, these costs are then reallocated to LSC per the Accounting Manual.
<u>NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION</u>:
Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

<u>TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:</u>

Already implemented

<u>FOLLOW-UP PROCESS:</u>

Charges are allocated to all funding sources

<u>NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:</u>

CCLA Controller/Fiscal Personnel
<u>DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP</u>
General Ledger reports
Indirect cost allocation worksheet

14. The OIG recommends that the Executive Director establish a written policy and procedure over the issuance and deactivation of credit card.
<u>AGREE</u>

<u>CORRECTIVE/REMEDIAL ACTION</u>:
An Amended Credit Card Policy and Procedures has been drafted, and will be submitted for approval

to the Board of Directors.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:
Board Meeting, September 2021

FOLLOW-UP PROCESS:
1. The CCLA Fiscal Personnel will maintain all credit card holder agreements.
2. The organization credit card is the property of CCLA. A staff member leaving the employment of CCLA must surrender the credit card to CCLA Fiscal Personnel who will then notify the issuing authority to cancel the employee's account.
TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

CCLA Controller/Fiscal Personnel will maintain all Credit Card Holder agreements signed by CCLA staff.

15. The OIG recommends that the Executive Director establish a credit card user agreement form for authorized users to sign and agree to proper use and repayments terms in case of unauthorized transactions.
AGREE

CORRECTIVE/REMEDIAL ACTION:
1.An Amended Credit Card Policy and Procedures has been drafted, and will be submitted for approval to the Board of Directors, which includes a Cardholder Agreement.
2. Staff members are required to sign the Cardholder Agreement indicating they accept these terms. Staff members who do not adhere to these policies and procedures risk revocation of their credit card privileges and/or disciplinary action.
3. Staff members acknowledge that improper use of this card may result in disciplinary action as well as personal liability for any improper purchases.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Interim Executive Director, Lisa G Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:
Board Meeting, September 2021

FOLLOW-UP PROCESS:

CCLA Controller/Fiscal Personnel will maintain the Card Holder agreements in a central file.

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Cardholder Agreements

16. The OIG recommends that the Executive Director include policies and procedures for LSC unallowable costs in the Accounting Manual.
AGREE

CORRECTIVE/REMEDIAL ACTION:

Unallowable costs will be included in the updated Cost Allocation Policy. This policy will be submitted to LSC on May 17, 2021.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

May 17, 2021

FOLLOW-UP PROCESS:

Adhere to policies and procedures for LSC unallowable costs.

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Policies and Procedure in Accounting Manual

17. The OIG recommends that the Executive Director ensure that LSC unallowable costs are charged to funding sources other than LSC and all CCLA staff is knowledgeable of LSC regulations and guidelines, in particular §1630.5 (a).
AGREE

CORRECTIVE/REMEDIAL ACTION:

1. To fully comply with the Standards of Allowable Costs, LSC unallowable costs are charged to the unrestricted funding code (Fund Code #17) in the general ledger.
2. The CFO will provide training to all staff on cost allocation, including what is allowable/unallowable to be charged to LSC.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Already implemented

FOLLOW-UP PROCESS:

Periodic review of expenses by CCLA Controller/Fiscal Personnel and Interim Executive Director.

Adhere to policy of charging unallowable costs to the unrestricted funding code.

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
General Ledger reports

18. The OIG recommends that the Executive Director ensure that CCLA staff follows its own policies as stated in the Accounting Manual and keep all documentation for submission and approval of requests on-file.
AGREE

CORRECTIVE/REMEDIAL ACTION:

1. CCLA has implemented stricter controls requiring supporting documentation to secure approval of requests.
2. Staff will be retrained on the forms required for employee reimbursement and request for purchasing.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O. CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Partially implemented. Additional Training to take place in July 2021.

FOLLOW-UP PROCESS:

Additional Training to take place in July 2021.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:
Fiscal Administrator/C.F.O. CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Payment requests
Accounts Payable supporting documents

19. The OIG recommends that the Executive Director reassign the duties of receiving and opening the mail to staff who do not have access to or perform duties related to accounts payable.
AGREE

CORRECTIVE/REMEDIAL ACTION:

Already implemented. Only CCLA Controller/Fiscal Personnel other than the Accounts Payable staff, the Executive Director, or the Executive Assistant can open mail. Mail is then delivered to the

Accounts Payable staff and Staff Accountant.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Already Implemented on March 4, 2021.

FOLLOW-UP PROCESS:

Only CCLA Fiscal Personnel other than Accounts Payable staff, the Interim Executive Director, or the Executive Assistant open mail.

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel, the Interim Executive Director, or the Executive Assistant
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Mail is initialed and dated

20. The OIG recommends that the Executive Director reassign the duties of adding new vendors and updating vendor information to staff who do not have access to or perform duties related to accounts payable; and establish supervisory review and approval over adding and updating vendor information.
AGREE

CORRECTIVE/REMEDIAL ACTION:

A new vendor form has been developed and implemented to add and update information for all vendors. The requestor must complete the form and present it to the Executive Director for approval. Once approved, it is presented to the Staff Accountant. Each time a new vendor is added, or updates are made to vendors, the Staff Accountant is responsible for the addition of new vendors to accounting system. Only then are invoices presented to the accounts payable clerk. All forms are maintained in the CCLA drive.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O. CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Already implemented

FOLLOW-UP PROCESS:

The Accounts payable staff will periodically compare the vendor forms against the vendor list to ensure a vendor form exists for each vendor.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
New Vendor Forms

21. The OIG recommends that the Executive Director ensure that the property records include elements as required by the *Fundamental Criteria.*
AGREE

CORRECTIVE/REMEDIAL ACTION:

A fixed asset module has been added to the Accounting System where the property records will be entered that will include all the elements required by the Fundamental Criteria.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O. in collaboration with CCLA Controller/Fiscal Personnel

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

July 2021

FOLLOW-UP PROCESS:

Listing report printed and presented to Executive Director

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Accufund Fixed Assets report

22. The OIG recommends that the Executive Director ensure that a physical inventory is conducted every two years and results reconciled with the property records.

AGREE

CORRECTIVE/REMEDIAL ACTION:

1. The Board of Directors adopted a Property Inventory (Fixed Asset) Policy on April 17, 2019.
2. The Chief Operations Officer and System Analyst conducted a physical inventory of all CCLA property, the most recent of which concluded in April 2021.
3. As property is acquired, the physical inventory will be updated.
4. A complete inventory will take place every year.
5. The results will be reconciled to property records, and any difference identified will be investigated to determine the cause for the difference.
6. Any material variances will be noted in the financial statements.
7. Adherence to LSC Accounting Guide §2-2.4 and Appendix VII

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

CCLA Controller/Fiscal Personnel and System Analyst

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Most recent fixed asset report was completed in April 2021.

FOLLOW-UP PROCESS:

1. As property is acquired, the physical inventory will be updated to the property records.
2. Every year, a complete physical inventory of property will be conducted.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Fiscal Personnel

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

Physical Inventory.

23. The OIG recommends that the Executive Director establish clear and defined responsibilities over tagging IT equipment, furniture and other inventory items.

AGREE

CORRECTIVE/REMEDIAL ACTION:

CCLA will first develop a tagging system, then tag all equipment, furniture and other inventory items. There should be a system of tagging by type.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

CCLA Controller/Fiscal Personnel

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

By the conclusion of 2021

FOLLOW-UP PROCESS:

1. As property is acquired, it will be tagged.
2. Every year, a complete physical inventory of property will be conducted.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

Fiscal Administrator/C.F.O. in collaboration with CCLA Controller/Fiscal Personnel

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

Listing of items by tag number

24. The OIG recommends that the Executive Director included tagging procedures of IT equipment, furniture, and other inventory items in the Accounting Manual, including but not limited to property purchased with LSC funds.

AGREE

CORRECTIVE/REMEDIAL ACTION:

The Accounting Manual will be updated by September 2021 with the policy and procedures of recording property purchased.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O. in collaboration with CCLA Controller/Fiscal Personnel

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

By the conclusion of 2021

FOLLOW-UP PROCESS:

1. As property is acquired, the physical inventory will be updated to the property records.
2. Every year, a complete physical inventory of property will be conducted.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Detail listing of Fixed Assets

25. The OIG recommends that the Executive Director ensure that no individual can initiate, execute, and record a payroll transfer without a second independent individual being involved in the process.

AGREE

CORRECTIVE/REMEDIAL ACTION:

The Fiscal Department now employs 2 full time permanent employees to complete every payroll transfer. Payroll is processed 48 hours in advance of the payroll date by the HR Coordinator. The Accounting Specialist then initiates the transfer 24 hours in advance of the payroll date, and the Fiscal Administrator/CFO approves it at that time.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O. and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

This will be implemented immediately.

FOLLOW-UP PROCESS:

1.Interim Executive Director Lisa G. Goldberg is provided a copy of the transfer and payroll register.

2.Documentation will be reviewed by CCLA Controller/Fiscal, or Executive Director prior to the processing of payroll at least once each quarter without providing prior notice. The observed process will be documented.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel and/or Interim Executive Director Lisa G. Goldberg
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Printout of Bank of America Cashpro online and Paylocity Payroll register

26. The OIG recommends that the Executive Director ensure that outstanding checks for over three months are investigated and resolved.

AGREE

CORRECTIVE/REMEDIAL ACTION:

Checks now have "VOID AFTER 90 DAYS" printed on all checks, which ensures that all outstanding checks will be investigated and resolved.

The reviewer of the bank reconciliation does not sign off on the bank reconciliation until checks older than 90 days are investigated and either written off or re-issued, if necessary.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O. and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Immediately

FOLLOW-UP PROCESS:

Bank reconciliation will be reviewed monthly to ensure this control is maintained.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

Bank Reconciliations

27. The OIG recommends that the Executive Director ensure that the bank reconciliations are performed monthly and timely.

AGREE

CORRECTIVE/REMEDIAL ACTION:

Program policy dictates that bank reconciliations be timely prepared on a monthly basis within 20 days of the end of the month.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O. and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

May 2021

FOLLOW-UP PROCESS:

Timely reconciliation will be monitored by CCLA Controller

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Monthly Bank reconciliation signed off and dated by Executive Director

28. The OIG recommends that the Executive Director ensure that the person responsible for performing bank reconciliations documents the reconciliations with a signature.

AGREE

CORRECTIVE/REMEDIAL ACTION:

We will standardize the format of our bank reconciliation to have a section at the bottom of the document for both the preparer and reviewer to sign and date, acknowledging they have completed the reconciliations. Our formal, written policy will include having the bank reconciliations signed off and dated by both the preparer and reviewer.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O. and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Implemented in May 2021

FOLLOW-UP PROCESS:

CCLA Controller/Fiscal Personnel will monitor when bank reconciliations are started.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Signed Bank Reconciliations

29. The OIG recommends that the Executive Director ensure that the person responsible for reviewing and approving the bank reconciliations documents the review and approval with signature and date.

AGREE

CORRECTIVE/REMEDIAL ACTION:

Reconciliations that are signed by the preparer will be reviewed by the CCLA Controller/Fiscal. If approved, the CCLA Controller will sign and date the reconciliation and forward to the Executive Director for final approval. The Executive Director will review the bank reconciliations upon presentation to be signed and dated.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O. and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Process will begin in May 2021

FOLLOW-UP PROCESS:

Monthly review of all bank reconciliations

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Signed Bank Reconciliation

30. The OIG recommends that the Executive Director review and restructure the user access rights over the payroll system so that employees who are system administrators are not able to change their own pay rate.

AGREE

CORRECTIVE/REMEDIAL ACTION:

Paylocity has confirmed in writing that in the manner in which we currently process payroll this change is not possible.

Therefore, as part of the Executive Director's bi-weekly review of payroll, consistency and accuracy of pay rates will be reviewed to ensure that all pay rates are accurate, and a dedicated report will be populated reflecting any pay rate changes and provided to the Executive Director.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O. and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

May 19, 2021 Payroll

FOLLOW-UP PROCESS:

Review on bi-weekly basis

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:
Angela Palmer, Fiscal Administrator/CFO and Interim Executive Director, Lisa G. Goldberg
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Payroll System, internal payroll documents and interim financial reports.

31. The OIG recommends that the Executive Director periodically review the payroll register for verification of pay rates, including but not limited to changes to pay rates, and the addition or deletion of employees.

AGREE

CORRECTIVE/REMEDIAL ACTION:

The Payroll report and a Payroll Changes report will be provided to the Executive Director bi-weekly for review.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O. and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

May 19, 2021 Payroll

FOLLOW-UP PROCESS:

CCLA Controller/Fiscal Personnel review to ensure process is followed

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

Payroll report and payroll changes report. Payroll System, internal payroll documents and interim financial reports.

32. The OIG recommends that the Executive Director ensure that staff receive training for completing, reviewing and approving electronic timesheets.

AGREE

CORRECTIVE/REMEDIAL ACTION:

1. All CCLA directors and supervisors who are responsible for completing and approving electronic timesheets in Paylocity have received training and guidance from CCLA's HR Coordinator, Beatriz Arboleda.
2. In addition, directors and supervisors have access to training videos on Paylocity's website that are available for viewing at any time. Watching Paylocity's "Time and Labor for Administrators and Supervisors" training video on Paylocity.com annually for updates, is required.
3. CCLA's new supervisors will register for and attend training on completing and approving electronic timesheets.
4. As part of their orientation process, new employees receive training from their direct supervisor on how to complete time sheets.
5. A Paylocity training video on registering a Paylocity account is posted on CCLA's SharePoint Onboarding page for all staff to view, and links to Paylocity's YouTube channel which has additional training videos.
6. Paylocity training videos on how to clock-in and out are also posted on CCLA's Onboarding page for all staff to view.
7. All timesheet training is mandatory and reportable on the Sharepoint site.
8. The supervisors and directors will review and approve staff timesheets every week.
9. Staff may direct any follow up questions to CCLA's HR Coordinator.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Beatriz Arboleda, HR Coordinator and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Immediately after OIG's visit in 2019, this recommendation was implemented by CCLA.

FOLLOW-UP PROCESS:

Beatriz Arboleda, the HR Coordinator will review timesheets prior to processing payroll to verify that all supervisors and directors are complying with completing and approving staff electronic timesheets.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:
Human Resource Coordinator, Beatriz Arboleda and Interim Executive Director, Lisa Goldberg,
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Paylocity Payroll and HR Software/Program. Sharepoint.

33. The OIG recommends that the Executive Director ensure that supervisors review and approve manual or electronic timesheets with signature and date.

AGREE

CORRECTIVE/REMEDIAL ACTION:

1. Every two weeks and prior to payroll, all CCLA supervisors and directors are required to review and approve staff's timesheets via electronic signature through Paylocity.
2. Upon a supervisor's or director's approval of a staff member's timesheets, an electronic signature is automatically captured and recorded on Paylocity with the date of approval.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Beatriz Arboleda, HR Coordinator

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:
Immediately after OIG's visit in 2019, this recommendation was implemented by CCLA.

FOLLOW-UP PROCESS:

1. The HR Coordinator will review timesheets prior to processing payroll to verify that all supervisors and directors are in compliance with completing and approving staff electronic timesheets through Paylocity.
2. If approvals are not recorded, the HR Coordinator will notify the Executive Director as well as the non-compliant supervisor or director.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

Beatriz Arboleda, HR Coordinator and Lisa Goldberg, Esq., Interim Executive Director
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

Paylocity Payroll and HR Software/Program

34. The OIG recommends that the Executive Director ensure that contracts along with all pertinent documents related to competition, evaluation of bids, sole source justifications, and rationale for vendor selections are maintained on-file.

AGREE

CORRECTIVE/REMEDIAL ACTION:

1. All contracts along with pertinent documents related to competition, evaluation of bids, sole source justifications, and rationale for vendor selections shall be maintained on file in accordance with our written policies.
2. All vendor selections shall have a document attached which addresses with specificity the rationale for vendor selection, and signed by the Executive Director.
3. A central file shall be established and maintained by the Fiscal Department entitled "Vendor Selections."

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

April 2021

FOLLOW-UP PROCESS:

Executive Director will verify that all contracts along with all pertinent documents related to competition, evaluation of bids, sole source justifications, and rationale for vendor selections shall be maintained on file.

TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

CCLA Fiscal Employee and Executive Assistant

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

All contracts along with all pertinent documents related to competition, evaluation of bids, sole source justifications and rationale for vendor selections.

35. The OIG recommends that the Executive Director establish a centralized filing system for all contracts and ensure documentation is maintained.

AGREE

CORRECTIVE/REMEDIAL ACTION:

A CCLA centralized filing system for all contracts will be implemented by the CCLA Controller/Fiscal Employee.

This system already exists in the LAS Fiscal office and is available for review as needed. In addition, all contracts are saved on the CCLA computer drive that can be accessed by the CCLA Controller/ Fiscal Personnel

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

CCLA Controller/Fiscal Personnel and Interim Executive Director Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Currently being implemented

FOLLOW-UP PROCESS:

CCLA Controller/Fiscal Personnel will monitor to ensue all contracts are filed correctly.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:
CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP:

K Drive on the server

36. The OIG recommends that the Executive Director develop written policies and procedures for budgeting that describe the processes and controls in sufficient detail in accordance with LSC's Fundamental Criteria.

AGREE

CORRECTIVE/REMEDIAL ACTION:

The Executive Director has developed a draft of written policies and procedures for budgeting that describe the processes and controls in sufficient detail in accordance with LSC's Fundamental Criteria. This policy will be submitted to the Board of Directors for review and adoption.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:
Fiscal Administrator/C.F.O., CCLA Controller/Fiscal Personnel and Interim Executive Director, Lisa G. Goldberg

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

By the end of 2021

FOLLOW-UP PROCESS:

Adoption at Board Meeting

The Fiscal Administrator/CFO, CCLA Controller and Interim Executive Director, Lisa G. Goldberg will meet once a month to review the progress of these policies and procedures.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:
Fiscal Administrator/C.F.O., CCLA Controller and Interim Executive Director, Lisa G. Goldberg
DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP
Budget Preparation and Written Policy and Procedures

37. Include a specific deadline or prescribed number of days after month-end for the preparation of monthly management reports in the Accounting Manual.

AGREE

CORRECTIVE/REMEDIAL ACTION:

The Accounting Manual will be updated to include a 30-day deadline for the preparation of monthly management reports.
NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR CHANGE IMPLEMENTATION:

Fiscal Administrator/C.F.O.

TARGET IMPLEMENTATION DATE AND EXPECTED COMPLETION DATE:

Effective July 1, 2021

FOLLOW-UP PROCESS:

Review Accounting Manual for proper language.

NAME & TITLE OF PERSON(S) ACCOUNTABLE FOR FOLLOW-UP:

Interim Executive Director, Lisa G. Goldberg

DATA SOURCE FOR DOCUMENTATION OF FOLLOW-UP

Accounting Manual and Monthly Financial Reports that are signed and dated by preparer and reviewed by finance committee.

Thank you for your consideration.

Sincerely,

Lisa g. goldberg

Lisa G. Goldberg

Interim Executive Director

lgoldberg@legalaid.org

954-736-2463, 954-736-2462