

RELEASED

RESTRICTED

This is a report on the results of work performed pursuant to a request of the addressor whose authorization should be obtained before further release of this report.

HRD-76-177

9-30-76

089141

089141



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-130515

SEP 30 1976

The Honorable Bill Chappell
House of Representatives

Dear Mr. Chappell:

Reference is made to our letter to you dated July 21, 1975, on the Greater Jacksonville Economic Opportunity, Inc. (GJEO). We agreed to provide information regarding the actions taken by GJEO to respond to questions raised in two Department of Labor (DOL) audit reports. We have reviewed GJEO's responses to these audit reports and the final actions taken by DOL to settle the questions raised in the audits.

The audit reports covered two grants totalling \$5.3 million in Federal funds made to GJEO for Neighborhood Youth Corps projects. DOL questioned \$1,034,000 of program expenditures paid from Federal funds and \$172,000 in expenditures paid from non-Federal funds. The questions were raised in the audits generally because of inadequate documentation and support for program expenditures. The purpose of GJEO's response was to provide the necessary additional support and clarification.

However, GJEO was unable to locate all records related to the grants. GJEO had utilized an outside processing center to prepare payroll checks and handle the bank account for the program funds. At the time of the DOL audits, the processing firm was bankrupt and no longer in business. As a result, documents, including cancelled checks necessary for support, were not readily available. In addition, activities performed under the two grants were conducted at several locations physically apart from the operations of GJEO itself. The physical separation of the programs apparently hampered control of the grants and fragmented the maintenance of records pertinent to the grants. Because of these and other difficulties, DOL granted GJEO several extensions for responding to the audit reports.

HRD-76-177

~~907524~~

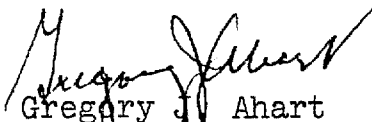
089141

Eventually, GJEO assembled documentation to support most of the questioned costs and obtained DOL's concurrence to provide a sample of supporting documentation where complete records could not be reconstructed. Based on this documentation, DOL decided that all of the costs questioned in the two audit reports were allowable. GJEO stated in its response that the comments on its internal management and accounting controls appeared in many instances to be based on the DOL auditors' inability to locate records at the time of their audit. GJEO noted that the subsequent records search and sampling suggested that the system was not nearly so inadequate as it first appeared to be. After considering GJEO's response, DOL determined that the comments on GJEO's internal management and accounting controls required no action. GJEO has completed all activities pertaining to agreements with DOL and no other grants or contracts are anticipated.

The information you received from your constituents also mentioned audit disallowances still pending from prior years. Three previous DOL audits of grants made to GJEO disallowed a total of \$313,795 primarily on the basis of GJEO's inability to show that it provided non-Federal matching funds. DOL has referred \$307,681 in disallowances from two of the audits to the General Accounting Office Claims Division for collection. The Claims Division is currently considering the evidence supporting the requested action. If desired, information on the progress being made in handling the request may be obtained directly from Mr. Delmas Allen of the Claims Division at 202-275-5397. On the third audit which disallowed \$6,114, DOL plans to use administrative means to recover the funds from GJEO before it decides to refer the case to our Claims Division.

We trust that the information provided has been helpful to you. As discussed with your office, we are not planning further audit work on the matters resolved by the Department of Labor at this time.

Sincerely yours,


Gregory J. Ahart
Director