

Attachment # 6



Terence R. McAuliffe
Governor

Mounce A. Jones
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

William C. Snelton
Director

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

April 7, 2014

Dr. James H. Mundy, CEO
Lynchburg Community
Action Group, Inc.
926 Commerce Street
Lynchburg, Virginia 24504

RE: Weatherization Assistance Program
Monitoring Report

Dear Dr. Mundy:

This letter is a follow up to the financial and administrative review of the weatherization program on February 26, 2014 conducted by Cassandra Lewis, Weatherization Program Administrator and Michelle Hill, Weatherization Program Assistant

The results of the review are summarized below:

Finding 1

Criterion:	Standards for financial management systems 10 CFR 600.121 (b)(3)
Condition:	Denise Crews works in five different programs but all of her regular time is being charged to the Weatherization grants. Upon review of the Weatherization timesheets, semi-monthly timesheets and monthly cost summary for our funds, the time does not match up. With the exception of annual and sick leave, DHCD funds were incorrectly charged towards all of Ms. Crews' time worked.
Effect:	Charging the Weatherization program for time working on other programs can be viewed as fraudulent and hinders Weatherization goals and productivity.

Partners for Better Communities



www.dhcd.virginia.gov

Corrective Action: Immediate action needs to be taken for the Weatherization program being overcharged for Denise Crews' salary. For the months where time was incorrectly charged to the Weatherization program, those costs are disallowed. This must be corrected to prevent this from occurring again and the amount overcharged must be repaid. Please provide unrevised copies of Ms. Crews' timesheets (semi-monthly & activity sheets) to DHCD for additional review for the months of September, October and November 2013, as well as January and February 2014.

Finding 2

Criterion: Equipment 10 CFR 600.134 (f)

Condition: Lynchburg Community Action Group (LynCAG) currently does not have a written policy meeting all of the property management standards. The following property management standards must be recorded; description, serial number/identification number, source, title, cost, acquisition date and cost, percent of federal participation, location, condition and ultimate disposition.

Effect: Not following these federal guidelines can lead to fraud, waste and abuse.

Corrective Action: LynCAG must update their Property Management Standards by adding the title holder and the percentage of federal participation. Provide DHCD with a copy of the board approved policy **highlighting** the changes that were made.

Finding 3

Criterion: Standards for Financial Management 10 CFR 600.121 (b)(3)

Condition: The bank signature cards include signatures of board members that are not listed as authorized check signers in policy 17.2 Check Signing of the agency's financial policies. Per 10 CFR 600.121 (b)(3), the recipient is required to maintain effective control and accountability for all funds, property, and other assets.

Effect: The agency is not following their policy for check signers and by failing to do so; there is an easier likelihood for fraud, waste or abuse to occur. More checks and balances need to be put in place to ensure polices are followed.

Corrective Action: Either the policy needs to be updated to include these additional check signers or only have the authorized check signers listed on

the bank signature cards. Provide DHCD with a copy of the board approved policy **highlighting** the changes that were made or provide a copy of the new bank signature cards depending on which way your agency decides to correct this finding.

Finding 4

- Criterion: Standards for financial management systems 10 CFR 600.121 (b)(3) and (6)
- Condition: LynCAG's financial policy 13.5 Authorization and Purchasing Limits, states, "[a]ll completed purchase orders must be signed by the preparer and approved by the department director." The agency has no prior authorization. LynCAG has purchase requisitions but these do not have signatures of who prepared the document and on-site, personnel stated that the requisitions are not used as purchase orders/prior approval. Documentation of prior approval needs to be attached with the agency's financial documents.
- Effect: Failing to document prior approval for purchases can lead to ineffective control and accountability over grant funds which could result in fraud, waste and abuse.
- Corrective Action: Purchase orders or some other form of documented prior approval needs to be completed prior to services or goods being purchased. Please update your policy 13.5 to reflect prior approval being documented on a form that is used by LynCAG. Provide DHCD with a copy of the board approved policy **highlighting** the changes that were made

Recommendations:

1. Place the agency's A-133 Audit out for bid. The audit's last procurement was five years ago.
2. List the Board Member positions on the Board Roster. The document is very detailed in all other aspects but does not mention who fulfills the roles such as the Chairman, Secretary or Treasurer.
3. Update the Organizational Chart to include all agency personnel. Currently, in aspects to Weatherization, only the Housing Director and Program Manager are listed.

Dr. James Mundy
Page 4 of 4

Commendable:

LynCAG had all of their expense reports and Financial Documents backed up on a flash drive for the monitors to review onsite, providing for a very efficient monitoring experience.

Please provide a written response within 30 days of receipt of this letter. If you have any further questions, please contact me at nancy.palmer@dhed.virginia.gov. We would like to express our thanks to you and your staff for the assistance provided during this review.

Sincerely,



Nancy Palmer
Housing Programs Manager

Notices, advertisement and solicitations placed in accordance with Federal law, rule or regulation shall be deemed sufficient for meeting the intent of this section.

13.4 Use of Purchase Orders

It is the policy of Lynchburg Community Action Group, Inc to utilize a purchase order system. A properly completed purchase order shall be required for each purchase decision (i.e. total amount of goods and services purchased, not unit cost) in excess of \$500 with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed Purchase Order shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Vendor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Delivery or performance schedules
5. Delivery, packing and transportation requirements
6. Special conditions (if applicable)
7. Catalog number, page number, etc. (if applicable)
8. Net price per unit, less discount, if any
9. Total amount of order
10. Authorized signature
11. Date PO prepared

Purchase orders shall be pre-numbered, kept in a secure area by the Fiscal Dept, and issued upon request from an authorized purchaser.

13.5 Authorizations and Purchasing Limits

All completed purchase orders must be signed by the preparer and approved by the department director. Program Managers will submit a signed requisition for approval prior to purchasing.

All contracts in excess of \$5,000 between Lynchburg Community Action Group, Inc and outside parties must be reviewed and approved by the Department Director or CFO or Financial Management Specialist, as well as the President/CEO. The ED is authorized to enter into any contract on behalf of Lynchburg Community Action Group, Inc. Contracts of \$5,000 or less must be reviewed and approved by the Department Director and the CFO or Financial Management Specialist, but do not require approval from the ED. These policies shall also apply to renewals of existing contracts.

17.2 Check Signing

All Lynchburg Community Action Group, Inc checks require two signatures. No checks shall be signed prior to the check being completed in its entirety (no signing of blank checks).

It is the policy of Lynchburg Community Action Group, Inc that each check shall be signed by individuals other than the one who approved the transaction for payment.

Authorized check signers: President/CEO, Assistant President/CEO, Board of Director Chairman, Board of Director Treasurer, Board of Director Secretary, Head Start Director and other authorized Board Members designated by Bank Account Signature Card

Check signers should examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

When authorized check signers need to be changed or removed a new signature card will be prepared and presented to the banking institution for their files.

17.3 Mailing of Checks

After signature, checks are returned to the individual who prepared them, the checks are mailed by that individual or by the receptionist. Checks shall not be mailed by individuals who authorize expenditures.

17.4 Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID". All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by accounting personnel with this authority. A journal entry is made to record the stop payment and any related bank fees.

17.5 Record-Keeping Associated with Independent Contractors

Lynchburg Community Action Group, Inc shall obtain a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made. A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be accumulated over the course of a calendar year.



U.S. Department of Housing and Urban Development
Community Planning & Development

Richmond Field Office
600 E Broad Street, Floor 3
Richmond, VA 23219-1800
1-800-842-2610

JUN 20 2013

James H. Mundy, Ph.D.
President and CEO
Lynchburg Community Action Group, Inc.
926 Commerce Street
Lynchburg, VA 24504

SUBJECT: Family Living Center

Dear Dr. Mundy:

On 1 and 2 May of this year, Dr. P. Anthony Brinkman, the Community Planning and Development Representative assigned to your grant, visited your offices, met with your staff and reviewed records related to the above referenced program for the period 1 Apr 2012 to 31 Mar 2013. Dr. Brinkman's evaluation of your program focused on supportive services, housing operations, participant eligibility, administration, and financial management. I am pleased to inform you that your organization's performance was satisfactory and that Dr. Brinkman identified only a few minor areas of concern that I would like to draw to your attention.

Concern No. 1

Condition. Recipient has no procedures in place to ensure matching requirements are met.

Cause. Recipient does not provide matching dollars until all the funds in the HUD grant are drawn.

Effect. In years when program expenses do not exceed the HUD funding obligation by an amount at least equal to the recipient's matching requirement, the match will not be met and funds will have to be repaid to HUD.

Recommended Action: Update your procedures so that vouchers for future draws only reflect 75% of actual reimbursable expenses.

Concern No. 2

Condition. All required procedures are documented and in place. However, these procedures are not inclusive nor conflated.

Cause. Limited resources.

Effect. This condition threatens institutional memory. A change in personnel might be highly inefficient.

Recommended Action. Prepare an inclusive manual that documents all program procedures to the extent that it would enable someone without experience to run the program.

Concern No. 3

Condition. The inspected unit needs substantial cleaning before program participants can take up residency.

Cause. Possible oversight by staff.

Effect. Unit not up to HUD standards. Uninhabitable.

Recommended Action. Have each unit professionally cleaned when it becomes vacant. Pay special attention to ventilation grates, fans, window coverings and oven.

Concern No. 4

Condition. The termination policy provided to new program participants does not clearly state the participant's right to appeal and the procedure for doing so.

Cause. Possible oversight by staff.

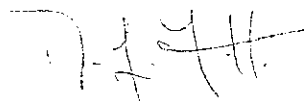
Effect. The program participant may only learn of their right to appeal and how to do so after termination actions have been initiated. This may not be enough notice, especially for families in crisis.

Recommended Action. Include a concise statement of program participants' right to appeal and the procedure for doing so in the termination policy that is presented to new participants at move-in.

I wish to take this opportunity to thank you and your staff for working closely with our office in the past year to provide critical assistance to those in need. As you know, HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. Our success depends on you and we are grateful for your every effort on behalf of HUD.

If you have any questions, please call me at (804) 822-4831. Staff requiring technical assistance should contact Dr. P. Anthony Brinkman, Community Planning and Development Representative, at (804) 822-4827.

Sincerely,



Ronnie J. Legett
Director