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THE INS COMPANIES

## Minnesota Department of Commerce

Community Action of Minneapolis  
Compliance Audit

June 2015

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St. Paul, Minnesota  
June 29, 2015

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Dear Deputy Commissioner and Audit Director:

Pursuant to your instructions, a Compliance Audit was made of the

COMMUNITY ACTION OF MINNEAPOLIS.

## **Introduction**

Community Action of Minneapolis (CAM) is a non-profit organization formed in 1994 by the City of Minneapolis to develop and provide resources for assisting low-income individuals in Minneapolis, Minnesota, through a variety of energy, children and family development programs. CAM is primarily supported through federal and state government grants. CAM is a Community Action Agency governed by Minnesota Statute 256E.31 and is administered under the authority of the Department of Human Services (DHS).

CAM receives grants from the Minnesota Department of Commerce (Department) to assist low-income families as follows:

- Low-Income Home Energy Assistance Program (LIHEAP);
- Low-Income Weatherization Assistance Program (WAP); and
- Conservation Improvement Program (CIP).

In 2011 an energy vendor identified a potential overpayment issue with CAM to the Department. The Department identified \$1.35 million of crisis emergency benefits that were inappropriately provided by CAM to several thousand households. The Department personnel reported the findings to the OLA. For the 2011 fiscal year, CAM awarded a total of \$5.7 million crisis emergency benefits of which \$1.35 million was an overpayment of services allowed under the program. The Department ordered CAM to pay a \$100,000 settlement to the Department and the Department also put CAM on a correction action plan.

In August 2014, DHS released its audit report which outlined the findings of its program audit of the Community Action and Community Services Block Grants that had been awarded to CAM. DHS's audit covered the period July 1, 2011, through June 30, 2013. The audit identified deficiencies in CAM's internal control environment which ranged from inadequate Board of Directors (Board) oversight to inadequate allocation of costs and unapproved outcomes. Administrative costs in excess of \$800,000 which were not allowable were improperly charged to the DHS grant program.

On September 26, 2014, both DHS and the Department terminated their contracts with CAM, stopping funding under their respective grants. CAM went into receivership effective November 18, 2014.

## **Scope and Approach**

Our compliance audit of CAM consisted of several procedures including interviewing the Department personnel involved in the management of the day-to-day operations of the funds, reviewing independent audit reports and grant contracts, conducting process walkthroughs of critical systems and vendor contract procedures, testing expenditures charged to the funds, analyzing Board actions/approvals, and performing compliance tests related to the state/federal programs. As CAM is currently in receivership, there was no CAM staff available to interview who had working knowledge of CAM's accounting and reporting processes. Therefore, certain audit procedures had to be modified based upon the limited data available.

Specifically, our review focused upon the following areas:

- Reviewed CAM Independent Audits, supporting CPA workpapers for the period under review, July 1, 2011, through November 18, 2014, and the DHS audit.
- Reviewed grant contracts for the period under review for the LIHEAP, WAP, and CIP.
- Analyzed Notice of Funds Available (NFA) provided to CAM for the periods under review and determined actual expenditures charged to each grant by CAM.
- Obtained the CAM Cost Allocation Plans for each fiscal year 2011 through 2014 and reviewed to determine compliance with OMB A-122 and any other federal and/or state laws, rules, regulations and guidelines.
- Reviewed a sample of administrative expenses for each of the grant programs and verified that each expenditure was properly allocated to the fund program.
- Obtained the CAM payroll registers for the period under review to determine if timesheets matched the payroll register and that employee time was allocated appropriately to the various programs based upon the employee's job duties.

- Verified a sample of A16 expenses recorded for the LIHEAP, verifying the documentation to the expense support and timesheets. Ensured that expenses were allowable activities under program guidelines.
- Reviewed a sample of Energy Related Repair (ERR) disbursements for the LIHEAP and verified compliance with program guidelines and expense detail.
- Analyzed a sample of home audits performed by CAM staff for the WAP to ensure compliance with funding sources and including amounts reported by the utility companies.
- Performed testing for duplication of payments for the WAP and CIP. Obtained information directly from utility companies for the period under review and compared the records to the CAM accounting system.
- Selected a sample of the CIP's assistance funds provided and verified eligibility. This testing included both CenterPoint Energy's and Xcel Energy's customers.

## **Program History**

### **Low-Income Home Energy Assistance Fund**

Funds for the LIHEAP are granted to the State of Minnesota by the United States Department of Health and Human Services (USDHHS) Division of Administration for Children and Families. The Department is the designated agency to administer the State of Minnesota's LIHEAP to local service providers on an annual basis. Each year the contract period is October 1 to September 30 consistent with the federal fiscal year. There are five different types of disbursements that can be made from the LIHEAP which include:

- **Administrative:** costs associated with running the program activities.
- **A16:** costs related to referral, outreach and advocacy services.
- **Primary heat:** funds granted to households to help pay heating bills.
- **Crisis emergency:** benefits paid directly to energy vendors on behalf of the applicant where the heat has been shut off or the applicant has been threatened with a "no heat" notice.
- **ERR funds:** funds provided to income-eligible households in need of furnace repair or replacement.

### **Weatherization Assistance Program**

The WAP focuses on reducing energy costs for low-income households by increasing the energy efficiency of their homes, while ensuring health and safety. Congress created the WAP in 1976 under the Energy Conservation and Production Act in order to assist low-income families who lacked the resources to invest in energy efficiency.

The WAP prioritizes services to the elderly, people with disabilities, and families with children. These low-income households are often on fixed incomes or rely on income assistance programs and are most vulnerable to volatile changes in energy markets and related costs. High energy users or households with a high energy burden may also receive priority.

The Department is the designated agency to administer the federal WAP for the State of Minnesota and annually allocates funds to local service providers based upon an approved State Plan.

### **Conservation Improvement Program**

The CIP is a Minnesota legislatively mandated program that requires gas and electric utility companies to establish energy saving programs. The Department oversees the CIP to ensure that rate payer dollars are used effectively and energy savings are reported as accurately as possible.

Each electric and natural gas utility develops its own conservation plan, offering a variety of programs to assist residential and business customers to become more energy efficient. The Department reviews and approves each plan and the associated energy savings calculations.

As part of the CIP, each utility's portfolio is required to contain a low-income program. Utility companies can enter into contractual agreements with community action agency programs to administer the low-income programs. CAM had entered into such agreements with CenterPoint Energy, Xcel Energy, Minnesota Energy Resources Corporation (MERC) and Applied Energy Group (AEG). CAM's agreements with CenterPoint Energy and Xcel Energy included third-party administration services for those utility low-income programs run by community action agencies outside the metro area.

Oversight of CAM's activity by the Department is indirect. CAM is bound by its contractual obligations with the utility companies which are subject to the Department's direct oversight of the CIP and its related oversight of utility companies in general. The utility companies contract directly with CAM for these low-income program services.

## Specific Findings

### *Information Technology:*

#### 1. Mass Deletion of Files

##### ***Finding***

There was a mass deletion of files within the Enterprise Content Management System (Laserfiche) on September 23, 2014 and September 24, 2014, just days before DHS and the Department terminated their contracts with CAM. A total of 847 folders were deleted.

##### ***Recommendation***

The Department should attempt to recover these files with the assistance of other federal/state agencies or utilize a forensic expert to restore the deleted files.

#### 2. Critical Data Missing

##### ***Finding***

Difficulties were encountered obtaining critical data and/or documents from the CAM computer systems. There were several servers at the CAM Home Office that were not able to be accessed which, as a result, limited compliance testing.

##### ***Recommendation***

The Department should attempt to gain access to the data on these servers to complete audit testing and complete audit samples.

#### 3. Modifications to the Weatherization Database

##### ***Finding***

An instance with the weatherization database was encountered within the user folder of the former Information Technology Director which indicated modifications between June 6 and June 13, 2014. Modifications to the database were indicated by a series of folders labeled “After Manipulation”, “Before Imports” and “Stuff”.

##### ***Recommendation***

The Department should attempt to determine what modifications were completed with the assistance of other federal/state agencies or utilize a forensic expert.

***Board of Directors:***

4. Inadequate Board Size

***Finding***

The CAM Board was never filled to the number of directors required per the CAM by-laws. During the audit period under review, the Board fluctuated between eleven and thirteen directors when the requirement was for fifteen directors. Additionally, CAM management recommended and nominated directors for appointment without record of vetting the nominees for independence prior to appointment.

***Recommendation***

The CAM Board should be in compliance with its by-laws during the period under review. Board members should have been vetted for experience and independence prior to appointment. Additionally, the Board should have received annual training on CAM policies and procedures to understand what was allowed under federal/state grants. Oversight of the CAM Board resided with the Department of Human Services. CAM is in receivership and the CAM Receiver should take this matter with the Board into consideration when determining refunds.

5. Unusual Board Expenses and Inappropriate Allocation of Board Expenses

***Finding***

Check #94644 for \$5,309.93 included CAM Board expenses at a resort. These expenditures were allocated between six funds in different proportions. Included in these expenditures was \$428.57 for spa services, which included 72% of the spa fees in the amount of \$308.57 related to Energy Funds with 28% related to DHS Funds (800s).

The remainder of the checks reviewed, #93208, #92669, #90793, #88123, #88122, #87038, #84958, #84790, #83856, #83855, #80935, #78242 and #76360, contained spa services and/or golf outings which were coded to DHS Funds (837, 840, 844, 846, 848, 850, and 852).

***Recommendation***

The Department should request a refund in the amount of \$308.57 for non-business expenditures charged to the Grant Funds made by the CAM Board and management through the CAM Receiver.

6. Lack of Board Review

***Finding***

CAM's Chief Executive Officer (CEO) was provided exemplary scores on Board performance reviews and received high merit increases even after significant audit findings were provided

by federal/state agencies. Additionally, the CAM CEO's compensation was significantly above amounts found from comparable geographic pay studies.

***Recommendation***

The Department of Human Services should obtain additional information from state/federal agencies to determine the lack of appropriate Board review. An active Board should have been reviewing state/federal findings to determine why CAM management did not take action on these matters. The Department of Human Services should determine if false information was presented to the Board as the Department attempts to recover funds from the CAM Receiver.

7. Lack of Board Participation in Key Oversight Activities

***Finding***

The CAM Board did not participate in CPA exit conferences. This lack of oversight for a critical function questions the validity and the effectiveness of the decisions made by the Board during the timeframe under review.

***Recommendation***

The Department of Human Services should note that the Board was not performing its oversight duties when dealing with mismanagement of fund expenditures as the Department attempts to recover inappropriate expenditures from the CAM Receiver.

***General Management Practices:***

8. Use of Consultants

***Finding***

CAM used outside services, interns, and consultants for the various programs. Frequent consultants' invoices contained limited detail making it difficult to determine work performed and if the expense was allocated to the proper funds. Additionally, the CAM voucher register contained multiple payments to various consultants primarily coded to Energy Assistance Outreach, but also coded to other funds. These payments included: 131 times to one vendor for a total of \$84,629.64, 14 times to a second vendor for a total of \$7,000.00, 20 times to a third vendor for a total of \$30,020.00, and 20 times to a fourth vendor for a total of \$21,450.81. Agreements have been located for a portion of these consultants and payments, but not all.

***Recommendation***

The Department should request a refund of \$143,100.45 from the CAM Receiver for the services rendered by these vendors as the amounts are not allowable due to limited detail provided.

9. Excessive Fees Paid to Vendor

***Finding***

Various checks were paid to a vendor for unknown services, payroll for an employee or consultant of the vendor, and for sponsorship of community events for energy service outreach opportunities. The data obtained during the audit evidenced twenty-four payments to the vendor totaling \$55,450. Payments were posted to Fund 100 for \$42,900, Fund 323 for \$200, Fund 324 for \$1,200, Fund 380 for \$700, Fund 381 for \$450 and Fund 847 for \$10,000.

***Recommendation***

The Department should request a refund of \$2,550 through the CAM Receiver for outreach expenditures that do not appear to relate to a prescribed outreach household needs assessment and referral. Also, since the majority of the payments were made from Fund 100, the Department should consider performing a full review of income and expenses posted to Fund 100 Unrestricted Funds. Unrestricted Funds are co-mingled into a single bank account which CAM appears to be using for all discretionary spending that is not regulated by Energy and Human Service Funds.

10. Misallocation of Administrative Expenses

***Finding***

A general review of various administrative expenses prior to sampling provided the following expense postings that should have been allocated proportionately:

- Check #94207 was written to another Community Action Agency for \$9,213, and coded to Fund 852 Community Services Block Grant (CSBG) 2014. This check represented CAM's dues for its membership. The Community Action Agency covers a wide range of services including Department of Energy and DHS services. It appeared that this expense should have been allocated to other funds proportionately; however, the Department would not be due a refund for this expense.
- Check #92514 was written to a Board member for \$155.61 and coded solely to Fund 850 CSBG 2013. This invoice represents a mileage reimbursement for a Board meeting that the Board member attended. It appears that this expense should be allocated to all funds proportionately; however, the Department would not be due a refund for this expense.
- Check #93093 was written to a vendor for \$14.86. The expense represents a charge for a name plate engraved with the employee's name. The engraved item does not solely represent or promote the A16 program or services for CAM. The employee was coded to

Department 10306, A16 for the period ending September 7, 2013, and September 21, 2013. The Department should request a refund in the amount of \$14.86 for this expense.

- Check #93177 was written to a vendor for \$67 for a waste toner bottle. The bottle was charged solely to Fund 381 EAP. The expense should be allocated proportionately among all funds, including DHS, similar to the allocation method in Finding #5, “Unusual Board Expenses and Inappropriate Allocation of Board Expenses with 72% in the amount of \$48.24 allocated to Energy Funds, and with 28% allocated to DHS Funds (800s). Since all funds were initially coded to Fund 381 EAP, the only portion the Department could recover is the part that was chargeable to DHS, which would be \$18.76.
- Check #91745 was written to a vendor for \$1,000 for business reply postage. The expense was coded to Fund 380 EAP. The expense should be allocated proportionately among all funds, including DHS, similar to the allocation method in Finding #5, “Unusual Board Expenses and Inappropriate Allocation of Board Expenses” with 72% allocated to Energy Funds and 28% allocated to DHS Funds (800s). Since all funds were initially coded to Fund 380 EAP, the only portion Department could recover is the part that was chargeable to DHS, which would be \$280.
- Check #93740 was written to a bank for various credit card charges in the amount of \$338.99. Charges included \$153.35 for snack packs, \$99.30 for two restaurant deliveries and \$86.34 for an automotive oil change all of which were charged solely to Fund 381 EAP. It appears that this purchase is not an expense of the fund (meals) or would have been used by several funds and should have been allocated to all funds that used or benefited from the purchases. The expense should be allocated proportionately among all funds, including DHS, similar to the allocation method in Finding #5, “Unusual Board Expenses and Inappropriate Allocation of Board Expenses” with 72% in the amount of \$244.07 allocated to Energy Funds and 28% allocated to DHS Funds (800s). Since all funds were initially coded to Fund 380 EAP, the only portion the Department could recover is the part that was chargeable to DHS, which would be \$94.92.

***Recommendation***

The Department should request a refund in the amount of \$408.54 for the amounts that would be chargeable to DHS. The total request would include 1) check #93093 for \$14.86, 2) check #93177 for \$18.76, 3) check #91745 for \$280.00, and 4) #93740 for \$94.92.

11. Inspection Charges Misallocated

***Finding***

Check #93837 was written to a building service vendor for \$9,500 for two invoices for seventy building inspections at \$125 per inspection and ten weatherization assessments at \$75 per assessment. These inspections were coded to several funds, with Fund 268 Centerpoint receiving the majority of charges. Fund allocations were as follows; Fund 259 WAP for

\$1,000, Fund 268 Centerpoint for \$5,375, Fund 381 EAP/PY 2014 for \$250, Fund 375 EAP/WX Carryover A16 for \$1,375, and Fund 375 EAP/WX Carryover for \$1,500. Fund 375 EAP/WX Carryover A16 is an energy outreach program for needs assessments and referrals, and the allocation of \$1,375 does not appear to be eligible as an A16 expense and should be refunded.

Additional review of check #94200, #94751, #94924 and #94320 written to the same building service vendor appear to be properly allocated.

***Recommendation***

The expense should be properly allocated to the correct funding source; although, since review provides a lack of available documentation which will not permit proper allocation, a request should be submitted to the CAM Receiver for reimbursement of the ineligible expense of \$1,375 from Fund 375 EAP/WX Carryover A16.

12. Misallocation of Advertising Expenses

***Finding***

CAM acquired advertising and programming from two media vendors with checks #94858 for \$6,040, check #92906 for \$6,040, check #90911 for \$6,140, check #88337 for \$6,140 and check #89033 for \$500. These expenses were posted to various Department of Energy Fund codes: Fund 381 for \$6,040, Fund 380 for \$3,020, Fund 268 for \$2,051, Fund 324 for \$2,051, Fund 538 for \$9,660 and DHS Fund 848 for \$2,038. The majority of the review focused on programming vendors due to a lack of support. The other vendor expenses reviewed generally contained significantly more support, invoices and clear and concise check requests than the programming vendor. The first programming vendor is a radio syndicate owned and managed by a former star athlete and father of a current star athlete. The second programming vendor broadcasts on the other vendor's networks. Check requests were informal, performed through e-mail by CAM executives, or lacked adequate supporting documentation which could be used to verify that the expenses were for advertising and allocated to the correct fund. Additionally, in most cases there were no invoices or support documentation from these two vendors to determine whether the expense was appropriate or that a correct fund allocation was made.

In addition, check #94332, #93102, #92862, #92861 were reviewed and found to contain adequate support documentation, completed check requests and vendor invoices to determine services rendered and proper fund allocations.

***Recommendation***

The Department should request a refund from the CAM Receiver for the expenses lacking adequate approvals and supporting documentation posted to the Energy Funds 381, 380, 268, 324, and 538 in the amount of \$22,822.

### 13. Inappropriate Credit Card Payments Misallocation

#### ***Finding***

Expenses paid via credit cards by CAM management were misrepresented, and expenses paid by check were not properly allocated. For example, credit card charges for two restaurants were not supported with any invoice detail. Additionally, there appears to be a car repair charge charged to employee benefits for \$1,639.37 for which no invoice support was available.

#### ***Recommendation***

The CAM Credit Card Policy should be obtained and reviewed to determine if expenses paid by CAM Management were allowable. If these expenses are determined allowable, proper coding to the funds should be made, as some funds were charged all sampled expenses versus being allocated among the funds. Additionally, CAM credit card charges should be reviewed more thoroughly given the number of questionable items that were discovered in our audit sample.

The Department should request a refund for any non-allowable or incorrectly coded expenditures through the CAM Receiver.

### 14. Incorrect Payroll Coding

#### ***Finding***

A random sample of several employees from the CAM payroll register indicated that employees appear to have been coded by primary job responsibility and not necessarily by the funds where the employees actually worked during the period. Several employees appeared properly classified while others were not coded correctly.

For payroll 9/22/2012 and pay date 10/5/2012 these amounts agree to payroll summary and entry; however, when the payroll register was reviewed against the general ledger posting and timesheets for the employees there were five cases where the timesheets had hours coded to the A16 Program 10306 and were expensed under 10305 Energy Assistance Program. There were also two employees that did not have timesheets and were coded to the A16 program.

#### ***Recommendation***

CAM employee payroll expenditures should have been allocated to all funds on a more proportionate basis. The Department should request that CAM's Receiver refund the Department for disproportionate classification of employee payroll.

15. Visions Program Expenses Not Properly Allocated

***Finding***

Expense check #91878, in the amount of \$14,000 paid to a county partnership, was reviewed. The partnership is the responsible party for the Visions Program (Visions), which is an electronic database system which was utilized to track core client demographics for CAM.

Visions appears to have an impact on all funds, but the \$14,000 expense was only charged to Fund 268 Centerpoint. The expense should have been allocated to all funds proportionately, including DHS similar to the allocation method in Finding #5, “Unusual Board Expenses and Inappropriate Allocation of Board Expenses” with 72% in the amount of \$10,080 allocated to Energy Funds and 28% allocated to DHS Funds. As all the funds were initially coded to Fund 268 Centerpoint, the only portion the Department could recover is the part that was chargeable to DHS, which would be \$3,920.

***Recommendation***

The Department should request a refund in the amount of \$3,920 for the amount that would have been chargeable to DHS.

16. Sub-grant Inappropriately Allocated

***Finding***

Check #88396 to Sustainable Resources for \$45,570.00 was reviewed. CAM provided a sub-grant to Summit-OIC through Sustainable Resources under Fund 291 of the American Recovery and Reinvestment Act of 2009 - Weatherization. The total sub-grant was for up to \$100,804 and was to be utilized to locate other Workforce Investment Act (WIA) money, develop a training program and train a designated number of individuals in weatherization practices to become gainfully employed, and provide services to weatherization assistance program service providers. The sub-grant should have been allocated to DHS due to participation with WIA and in providing training and employment services to low income individuals.

We also located and reviewed several associated vouchers and checks to an academy, including check #88395 for \$12,325.62, #88991 for \$8,262.77, #90472 for \$784.19, #89770 for \$21,280.10, #89771 for \$1,259.40 and check #91056 for \$3,224.21. The review noted that in addition to being classified as an expense of Energy Fund 291 American Recovery and Reinvestment Act of 2009 - Weatherization, little or no supporting documentation, including monthly required reporting and invoices, was available to support the payments for training.

***Recommendation***

The Department should request a refund of \$92,706.29 from the CAM Receiver for the ineligible and unsupported expense payments for the sub-grant that should have been recorded from DHS Funds.

17. Misallocation of Equipment Purchase and Prior Approval Not Obtained

***Finding***

Several equipment purchases were made without CAM obtaining the proper prior approvals. They are as follows:

- Check #88468 was written in September 2011 to a computer equipment vendor for \$22,602.51. The invoice represented the purchase of 21 computers at a per unit price of \$1,062 each plus an additional amount for cabling. The expense was solely coded to Fund 323 Energy Assistance. Upon review, it appears that this expense should have been allocated to all funds proportionately similarly to the allocation method in Finding #5, “Unusual Board Expenses and Inappropriate Allocation of Board Expenses” with 72% in the amount of \$16,273.81 allocated to Energy Funds and 28% allocated to DHS Funds. The only amount that the Department could recover is the part that was chargeable to DHS, which is \$6,328.70. There was no evidence to support that this equipment purchase was pre-approved as required by the program guidelines for equipment purchases greater than \$5,000.
- Check #88300 was written for \$17,132.50 in August 2011 to a computer equipment vendor for an upgrade to the Laserfiche system. The invoice represented 50% of the total price of the purchase of a server, software, user setup, etc. The expense was coded to Fund 281 ARRA, \$2,141.56, Fund 323 Energy Assistance, \$12,849.37, and Fund 846 CSBG \$2,141.57. The server alone was priced at \$5,000. Based on the actions that Laserfiche performed and the information contained on the system, it appears that all fund allocations would receive a larger share than allocated at the time of payment similar to the allocation method in Finding #5, “Unusual Board Expenses and Inappropriate Allocation of Board Expenses” with 72% in the amount of \$12,335.40 allocated to Energy Funds and 28% allocated to DHS Funds in the amount of \$4,797.10 less the \$2,141.57 allocation to Fund 846 CSBG previously stated above which amounts to \$2,655.53.
- Check #88599 was written for \$6,056.88 in September 2011. There was no invoice for support for this check. The expense was coded to Fund 323 Energy Assistance. It appears that all funds should receive a share of the allocated amount similar to the allocation method in Finding #5, “Unusual Board Expenses and Inappropriate Allocation of Board Expenses” with 72% in the amount of \$4,360.95 allocated to Energy Funds and 28% allocated to DHS Funds. The only portion the Department could recover is the part that was chargeable to DHS, which is \$1,695.93.

***Recommendation***

The Department should request a refund in the amount of \$10,680.16 for the amounts that would be chargeable to DHS. The total request would include 1) check #88468 for \$6,328.70, 2) check #88300 for \$2,655.53, and 3) check #88599 for \$1,695.93. In addition, if the equipment acquisitions were made without prior approval, the expenditures are not able to be charged to the funds and the Department is due a refund for the entire purchase.

18. Unallowable Rent Expenses and Improper Allocation of Rent Expenditures

***Finding***

Rent is not allowable under Program A16. In our sample selection a rent charge of \$20,000 was made to Program A16 then reclassified 100% to another fund. This \$20,000 rent expenditure should have been reclassified to several funds. Additionally, in our sample another selection for the May 2013 rent check was coded to two funds in the amounts of \$1,859.96 and \$436.29 versus being coded proportionately to all of the associated funds.

***Recommendation***

CAM should have observed fair and reasonable cost allocation standards when allocating shared expenses that benefitted multiple funds or the organization as a whole. The Department should verify that all rent expense payments were allowable. If these expenses are determined to be allowable, proper coding to the funds should be made. The Department should expand testing in this area to include 100% of the rent expenditures for the period under review. Finally, the Department should then request a refund for any non-allowable or incorrectly coded expenditures through the CAM Receiver.

19. Out-of-State Travel Prior Approval Not Obtained

***Finding***

Several out-of-state travel expenditures that appeared to require pre-approvals including check #92126 for \$2,463.93 coded to Fund 538, check #92976 for \$298.50 to Fund 259, check #92977 for \$298.50 to Fund 259, check #93174 for employee paid expenses of \$471.52 plus CAM paid expenses of \$1,171.50 to Fund 374 and check #93176 for \$562.67 to Fund 259. While the fund classifications appeared acceptable, there was no documentation available that supported the existence of prior approval, which is required by the programs in order to charge the funds for this travel expenditure.

***Recommendation***

CAM should have obtained proper prior approval for out-of-state travel. The Department should request a refund of \$5,266.62 for Funds 259 for \$1,159.67, Fund 538 for \$2,463.93 and Fund 374 for \$1,643.02 from the CAM Receiver for the out-of-state travel that the exam team reviewed and that did not receive proper prior approval.

## 20. Misuse of CAM Resources

### ***Finding***

In several instances, there was evidence of significant cell phone data usage by CAM management and several CAM employees with no corresponding support for the necessity of the related data charges. The lack of invoice detail created an opportunity for employees to use CAM resources for personal use leading to unnecessary costs to CAM.

### ***Recommendation***

CAM management should have maintained appropriate internal controls that would have mitigated opportunities for management and employees' misuse of CAM resources. As a result, if adequate support cannot be produced or provided with respect to the appropriateness of cell phone data usage, then a claim should be submitted to the CAM Receiver for reimbursement of this misuse of resources.

## 21. Lack of Training Curriculum Support to Determine Fund Expense Allocation

### ***Finding***

Checks #94755 and #94843 were written to Energy Conservation Services from Funds 270 State Weatherization for \$18,510 and Fund 258 DOE/WX for \$18,810, respectively. Energy Conservation Services provides training for utility company, weatherization, and fire department personnel on topics of energy conservation, safety, and home heating appliance combustion. Energy Conservation Services is responsible for developing and implementing heating unit safety and efficiency standards used by many weatherization and utility programs. Energy Conservation made two visits to perform onsite training for CAM Staff, which included trainers, program development, training and travel expenses on June 9, 2014, and June 23, 2014. No program or curriculum was attached to determine if the content of training was appropriate for the funds charged. The employee handbook does not set forth an outline of continuing education or required training requirements for employment at CAM and maintenance of job positions.

### ***Recommendation***

Adequate support for the appropriateness of the training cannot be produced or provided to support the expenses and charges to the above mentioned funds. A claim should be submitted to the CAM Receiver for reimbursement of ineligible expenses of \$37,320.

## 22. Extensive Use of Catering

### ***Finding***

CAM frequently used a catering company from which numerous various vouchers were posted to training, program costs, boxed lunches for Board of Directors and staff, Board allowances, and employee morale. Throughout the organization, over the examination period of July 1, 2011 through November 18, 2014, CAM used this catering company at least 166 times for

total charges of \$43,722.44. The charges were allocated to the seven Energy Funds, seven DHS Funds, and 100 Unrestricted Funds. The Energy Funds charged and total expenditures are as follows: Fund 259 for \$2,004.71, Fund 270 for \$2,070.84, Fund 281 for \$421.60, Fund 323 for \$4,383.82, Fund 324 for \$14,002.02, Fund 380 for \$1,838.66 and Fund 381 for \$2,473.25 for a total of \$27,194.90.

***Recommendation***

The Department should request a full refund for the catering expenses expended from the Energy Funds from the CAM Receiver in the amount of \$27,194.90. Based upon our audit it was determined that these expenses were extravagant for the business conducted, too frequent in use and expense, did not serve a business purpose, and no adequate support was found in CAM's records to justify or determine a purpose for these expenditures.

23. Misallocation of Internal Audit Equipment Purchase

***Finding***

A CAM employee was reimbursed for the purchase of cameras to be used for CAM's auditors/inspectors. The cameras, which totaled \$235.98, were charged solely to Fund 375 as equipment maintenance. The expense should have been classified as a tools and equipment purchase instead of as equipment maintenance and allocated to other funds in a manner similar to the allocation method in Finding #5, "Unusual Board Expenses and Inappropriate Allocation of Board Expenses" with 72% of the amount of \$235.98 allocated to Energy Fund 375 and 28% allocated to DHS Funds. The only portion the Department could recover is the part that was chargeable to DHS, which is \$66.07.

***Recommendation***

The Department should request a refund from the CAM Receiver in the amount of \$66.07 for Energy Fund 375.

## **General Findings**

24. CAM Management Focusing on Other Business During Core Work Hours

***Finding***

It appeared from the review of information that CAM management and employees may have had other business interests that detracted from their CAM job duties during core business hours. Additionally, CAM organization resources and costs were incurred for non-CAM business. For example, CAM's CFO owns a daycare and the daycare utilized CAM IT systems on a frequent basis to perform administrative duties for the daycare, instead of focusing on CAM. There was no evidence at this time that the use of IT and loss of that CFO time was reimbursed to CAM.

***Recommendation***

The Department should seek reimbursement from the CAM Receiver for these items that were allocated to the funds incorrectly.

25. Approved Cost Allocation Plans Not Followed

***Finding***

Upon review of the DHS audit findings, CAM's cost allocation plans, and an interview with the DHS Internal Audit Director, it was determined that CAM did not charge administrative costs according to the cost allocation plan and the budget approved by the Department. The DHS audit identified certain costs that provided benefit to only one program but were incorrectly charged to a different program, as well as other costs that provided benefit to multiple programs. The costs charged by CAM did not follow the approved cost allocation plan. The DHS audit focused on areas of specific concern such as salaries, travel, rent, and telephone.

***Recommendation***

The Department should work with DHS to determine the appropriate allocation of expenses to the fund and determine who may be due a refund from the CAM Receiver.

26. Inappropriate Board Approvals

***Finding***

The CAM Board approved non-allowable expenditures for CAM management which included deferred compensation, car loan authorization/car allowance, miscellaneous non-business related expenditures and other actions.

***Recommendation***

The Department should request a refund of these expenditures through the CAM Receiver as these expenditures should not have been allowed to be charged to the funds.

27. Misclassification of Miscellaneous Income

***Finding***

Miscellaneous income sources from fiscal agents, audit/inspection fees, and appliance rebates may have been posted to incorrect funds or other than restricted funds.

***Recommendation***

The Department should perform a review of classification and posting of income from miscellaneous sources such as from fiscal agents, audit/inspection fees, and appliance rebates.

## 28. Missing Timesheets and Incorrect Classification of Timesheets

### ***Finding***

There were numerous CAM timesheets missing in our sample test. Based upon the programs tested in the CAM payroll register, there were five cases where the timesheets had hours coded for one program but were expensed to another fund. There were also two employees for the pay period ending 3/24/2012, pay date 4/6/2012, in which timesheets for the employees were coded to the A16 Program 10306 and were expensed under 10305 Energy Assistance Program.

Additionally, based upon the limited job descriptions available, it was not possible to determine whether selected employees allocated their time to programs based upon their job classification from review of timesheets or payroll records.

### ***Recommendation***

The Department should expand the sample selection based upon the numerous misclassifications of time and expense to determine the total amount of funds that need to be reallocated appropriately among the funds as the testing sample was not able to determine what funds may be due refunds.

## Conclusion

The Department is due a potential refund from the CAM Receiver in the amount of \$347,718.60.

### CAM Refunds by Fund

Fund Code	#5 Resort Service	#8 Consultant	#9 Excessive Fees to Vendors	#10 Misc.	#11 Inspect Charge	#12 Advertise	#15 Visions	#16 Sub-Grant	#17 Computer Equipment	#19 Travel	#21 Lack of Training	#22 Catering	#27 Misc All. Equip	Totals
258											\$18,810			\$18,810.00
259										\$1,159.67		\$2,004.71		\$3,164.38
268						\$2,051	\$3,920							\$5,971.00
270											\$18,510	\$2,070.84		\$20,580.84
281												\$421.60		\$421.60
291								\$92,706.29						\$92,706.29
323			\$200.00						\$10,680.16			\$4,383.82		\$15,263.98
324			\$1,200.00			\$2,051						\$14,002.02		\$17,253.02
374										\$1,643.02				\$1,643.02
375	\$77.14				\$1,375.00									\$1,452.14
376													\$66.07	\$66.07
380		\$7,000.00	\$700.00	\$294.86		\$3,020						\$1,838.66		\$12,853.52
381	\$222.86	\$136,100.45	\$450.00	\$113.68		\$6,040						\$2,473.25		\$145,400.24
538	\$8.57					\$9,660				\$2,463.93				\$12,132.50
	\$308.57	\$143,100.45	\$2,550.00	\$408.54	\$1,375.00	\$22,822	\$3,920	\$92,706.29	\$10,680.16	\$5,266.62	\$37,320	\$27,194.90	\$66.07	\$347,718.60