

DEPARTMENTAL GRANT APPEALS BOARD

Department of Health, Education and Welfare

SUBJECT: Vocational Guidance and
Rehabilitation Services
Cleveland, Ohio
Docket No. 78-9

Date: May 31, 1979

Decision No. 56

DECISION

This appeal by Vocational Guidance Rehabilitation Services ("VGRS"), a private nonprofit agency located in Cleveland, Ohio, which provides services to the handicapped, stems from an audit report (No. 05-60301) dated April 11, 1976, conducted by the Department's Audit Agency. The audit covered twenty-five separate discretionary project grants for eight VGRS programs for the period July 1, 1968, through June 30, 1975.

After considerable correspondence and exchange of information between VGRS and the Office of Rehabilitation Services, the then Acting Commissioner of Rehabilitation Services, on August 26, 1977, sustained audit exceptions for unallowable expenditures totaling \$56,014 for all twenty-five grants. From this action VGRS has taken this appeal to the Board.

Throughout the prior proceedings culminating in the final agency determination in August of 1977, VGRS maintained that the then disputed amount of \$56,014 should be abated or waived, not because the auditors' recommendations as to the disallowance of specific expenditures were erroneous, but because of "mitigating circumstances," including a lack of prior knowledge or guidance as to applicable cost accounting procedures and a matching contribution by VGRS which was in excess of that required by the individual grant awards.

Since that time, this appeal has taken a rather different tack. Numerous extensions of time were granted to VGRS in order to permit it to reexamine its own financial records and obtain further data from the Department. In the course of this reexamination, VGRS apparently discovered that it had actually received less funds from the Department than had previously been believed to be the case.

Finally, in its statement of appeal dated March 27, 1978, as amended May 5, 1978, VGRS stated that although the

Department had allowed (after final action on the audit exceptions) \$1,986,209 in grant expenditures, VGRS had been paid only \$1,932,745 for those grants, leaving a shortfall of \$53,464.

While in its statement of appeal, VGRS still disputes the disallowance of the \$56,014 in claimed costs, it raises no new grounds for its position on that issue except a general characterization as to "the confusing nature of the audit as a whole." We find no merit in this claim. A review of the record indicates that any confusion was the result of unreliable and incomplete financial record keeping on the part of VGRS. On this aspect of the case, the appeal by VGRS is denied.

On the other hand, the Office of Rehabilitation Services now concedes that VGRS in fact received "\$53,464 less than the accepted expenditures." As to this amount, the appeal of VGRS is sustained, subject, however, to a negotiated reconciliation between VGRS and the Office of Rehabilitation Services as to any unexpended VGRS cash balance as of June 30, 1968, under prior Departmental grants. Such unexpended cash balance, if any, should be deducted from the \$53,464 otherwise payable to VGRS.

/s/ David V. Dukes

/s/ Francis D. DeGeorge

/s/ Wilmot R. Hastings, Panel Chairman