



**U.S. Small Business Administration  
Office of Inspector General  
Washington, DC 20416**

<b>AUDIT REPORT</b>
<b>Issue Date: March 24, 1999</b>
<b>Number: 9-08</b>

**TO:** Thomas A. Dumaresq  
Associate Administrator for Administration

/s/ Original Signed

**FROM:** Peter L. McClintock  
Assistant Inspector General for Auditing

**SUBJECT:** Audit Report on Giving of Self Partnership, Inc.

At the request of the Office of Procurement and Grants Management (OPGM), we performed an interim audit of the grant to Giving of Self Partnership, Inc. (GOSP), Philadelphia, Pennsylvania, for the period December 1994 to June 30, 1998. This report represents the results of the audit.

**BACKGROUND**

Public Law 103-317, dated August 26, 1994, authorized \$1 million for "a grant for a Small Business Development Institute in North Philadelphia, Pennsylvania, for a facility to assist and train minority small businesses." On February 23, 1995, SBA awarded GOSP a \$1,000,000 grant (No. [FOIA ex. 2] ) to construct this Small Business Development Institute.

GOSP was organized in 1989 to address the social and economic problems that led to continuing inner-city decay in the targeted areas of Logan, West Oak Lane and Olney in Philadelphia, Pennsylvania. In 1994, GOSP submitted a proposal to SBA to build a Multi-Purpose Community Center, which would include a SBDI. GOSP's initial approved budget for this project was \$2,460,788. After SBA awarded the grant, GOSP reduced the project cost to \$2,100,688. Of the \$1,000,000 SBA provided for the SBDI, \$699,212 was budgeted for construction and \$300,788 for operating expenses. GOSP volunteered to raise the remaining construction funds from other sources.

The grant was authorized by a special appropriation from Congress, which was not included in the President's budget request for the SBA. Because there are no Agency

guidelines covering this specific grant, we used the enabling legislation, administrative requirements relating to all grants and the grant document as the applicable criteria.

### OBJECTIVES AND SCOPE

The audit objectives were to determine whether (1) costs submitted for reimbursement and paid by SBA were allowable, (2) GOSP's controls were effective in monitoring and accounting for the grant funds, and (3) GOSP's performance conformed to grant requirements. We reviewed GOSP's: (1) grant application; (2) accounting records, bank statements, policies and procedures; (3) contracts related to the grant; and (4) reimbursement requests and supporting documentation. We also reviewed the grant award, OMB Circulars and SBA files. We interviewed officials and employees of GOSP; the Church GOSP is associated with, the Second Macedonia Baptist Church; GOSP's General Contractor and Architect for the construction project; GOSP's Accountant; and SBA.

We reviewed GOSP's operations from December 1994 to June 30, 1998 and performed our fieldwork from August 1998 to November 1998 at GOSP's office in Philadelphia, Pennsylvania. The audit was conducted in accordance with Government Auditing Standards.

### RESULTS OF AUDIT

GOSP's invoices to SBA included \$101,061 in unallowable costs. Also, GOSP did not properly allocate costs, implement controls to detect and prevent duplicate cost reimbursement submissions, take action necessary to obtain title to the property where the SBDI was being constructed, and comply with procurement standards in the grant to obtain competitive bids and bonding and to incorporate various contract provisions. The Director, OPGM, verbally agreed with our findings and recommendations. GOSP provided a written response and generally agreed with the findings except for the duplicate payments related to the architectural and accounting fees. We evaluated GOSP's response and modified the report, where appropriate. GOSP's response in its entirety is included as Appendix A.

#### ***Finding A - Unallowable Costs and Cost Allocation***

GOSP's invoices to SBA included \$101,061 in unallowable costs. Specifically, SBA paid GOSP \$25,219 for costs not allocable to the grant, \$69,831 for duplicate or unpaid expenses, and \$6,011 for fundraising, an expense not allowed by OMB Circular A-122. Although GOSP had controls to monitor and account for grant funds, GOSP did not properly allocate costs to the Federal award.

## Unallocable Expenses

### Salaries and Fringe Benefits

GOSP claimed and received reimbursement for the Executive Director's salary in excess of the 60 percent agreed to by SBA. GOSP submitted and SBA accepted a budget showing that the Executive Director would devote 60 percent of his time to the grant. GOSP overstated the Executive Director's salary in a budget submission to SBA that resulted in SBA's share of the salary exceeding the 60 percent agreed to by SBA. We questioned \$25,059 in salary and fringe benefits. Specifically, we found the following.

- GOSP's initial budget submission to SBA listed both the Executive Director's salary and SBA's share of this salary as \$50,000, even though it also showed that the Executive Director would devote only 60 percent of his time to the grant. To correct this apparent mistake, an SBA official wrote to GOSP in January 1995 and informed them that the amount allocated to the grant should only be \$30,000 ( $\$50,000 \times 60$  percent) because SBA's share of the \$50,000 salary was only 60 percent. In February 1995, GOSP responded by submitting a revised budget that showed the Executive Director still devoting 60 percent of his time to the grant and listed the Executive Director's salary as \$83,333 and SBA's share as \$50,000 ( $\$83,333 \times 60$  percent). In actuality, the Executive Director's salary remained at approximately \$50,000 for 1995.
- For the period February 1, 1995 to February 2, 1996, GOSP claimed and was paid by SBA for 100% of the Executive Director's incurred salary and fringe benefits totaling \$54,445 (although it paid only \$54,391). In November 1997, GOSP submitted a reimbursement request for the remaining balance of the operating budget, of which \$8,391 was for the Executive Director's salary and fringe benefits (slightly less than the \$8,571 GOSP paid). For the two time periods, GOSP was entitled to reimbursement of \$37,777 ( $\$62,962$  in paid expenses  $\times 60$  percent). GOSP, however, requested reimbursements for \$62,836, or \$25,059 in excess of their entitlements.

### Accounting Services

GOSP claimed and received reimbursement of \$160 for accounting services that were not allocable to the grant. OMB Circular A-122, ¶4.a. (1) states a cost is allocable if it is incurred specifically for the award. The services were to review GOSP's financial statements for a 6/30/94 audit, and these services were not related to the grant, which was awarded in 1995. As a result, we questioned the \$160.

## **Duplicate and Unpaid Expenses**

GOSP submitted claims and was reimbursed \$69,831 for duplicate and unpaid expenses. The grant award requires GOSP to be paid by the reimbursement method and OMB Circular A-122, Attachment A, ¶2.g. and ¶4.a. (1) require costs to be adequately documented and incurred specifically for the award to be allowable under the award. Also, Request for Advance or Reimbursement Form (Form 270) permits reimbursement for actual outlays only. We questioned the \$69,831, as discussed below.

- GOSP submitted duplicate claims totaling \$43,012. The duplicate claims included the following:
  - (1) \$38,332 for the Architect's design development. GOSP submitted a claim on May 30, 1995, which included \$38,332 for 100 percent of the Architect's design development. GOSP later submitted additional claims on July 7, 1995, which included \$9,583 for 25 percent of the Architect's design development, and September 18, 1995, which included \$28,749 for 75 percent of the Architect's design development. The \$9,583 and \$28,749 (totaling \$38,332) were duplicates of the \$38,332 request, which SBA had paid. GOSP only paid \$38,332 for the Architect's design development while receiving \$76,664 (\$38,332 + \$9,583 + \$28,749) from SBA.
  - (2) \$4,500 for Architect's Existing Conditions Survey. On May 30, 1995, \$3,300 was included as part of \$16,952 claimed on one line of a request for reimbursement and the same expense was claimed on two separate lines (\$2,500 and \$800) of this claim. On July 7, 1995, \$1,200 was claimed for the Architect's labor using Architect's Invoice No. 3A, and the same expense was claimed on another line of this claim.
  - (3) \$105 for accounting fees. The \$105 was claimed on May 30, 1995 and again on July 7, 1995.
  - (4) \$75 for photographer's fee. On May 25, 1995, GOSP provided documentation to SBA which showed that it claimed the \$75 as part of the \$58,382 advance on March 8, 1995. GOSP claimed the \$75 again on July 7, 1995.
- GOSP claimed \$13,676 more than the actual salaries and fringe benefits paid for its Executive Director and Secretary positions. For the period of February 1, 1995 to February 2, 1996, GOSP's accounting records showed \$73,487 paid for salary and fringe benefits expense, however, GOSP claimed and was paid \$87,163.
- GOSP claimed \$5,343 more than the actual pre-award costs. On March 8, 1995, GOSP submitted a pre-award advance request totaling \$58,382. GOSP's accounting

records showed pre-award costs incurred of \$53,039. The excess payment was not adjusted on subsequent requests for reimbursement.

- GOSP claimed reimbursement of \$4,200 although there was no related outlay. On May 30, 1995, GOSP submitted a reimbursement claim related to a proposal for the Architect to test underground plumbing. GOSP's accounting records showed no outlay or invoice related to this testing.
- GOSP submitted a claim for \$3,000 more than its outlay. On June 27, 1995, the Architect invoiced GOSP \$20,797 for design development, construction documents, and existing conditions survey. GOSP disputed the \$3,000 charged for existing conditions survey and on July 10, 1995, paid \$17,797. On July 7, 1995, GOSP submitted a claim to SBA for \$20,797 that included the disputed \$3,000.
- GOSP submitted a claim for \$600 more than its outlay. On May 8, 1995, a construction company invoiced GOSP \$1,250 for site clean-up costs. GOSP disputed the charge and on June 11, 1995, paid \$650. On May 25, 1995, GOSP provided documentation to SBA that showed it claimed \$1,250 as part of the \$58,382 advance on March 8, 1995. GOSP did not make adjustments on subsequent claims.

### **Unallowable Expense**

GOSP inappropriately submitted a claim and was paid \$6,011 for consulting services related to fundraising. OMB Circular A-122, Attachment B, ¶23.b states costs of organized fund raising, including financial campaigns, solicitation of gifts, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. GOSP stated they were not aware that fundraising was an unallowable expense. As a result, we questioned the \$6,011.

### **Cost Allocation**

GOSP did not allocate costs among the various functions that are to use the Multi-Purpose Community Center. OMB Circular A-110, §21, requires recipients' financial management system to provide for accurate, current and complete disclosure of the financial results of each federally sponsored project. OMB Circular A-122, ¶4.a. states that a cost is allocable to a particular cost objective, such as grant, contract, service or other activity, in accordance with the relative benefits received. The Multi-Purpose Community Center is being constructed to house several different functions, e.g., daycare, youth and children's services, senior citizen center, medical center, and an SBDI. Of these, only the SBDI is specifically allocable to the grant. However, GOSP did not maintain separate accounting records or establish cost centers to allocate expenses to the various areas. GOSP officials stated they were not aware of the need to establish separate cost centers or objectives. Without separate cost centers to allocate costs, GOSP could not allocate costs between areas and properly bill the grant.

*Auditee Comments and OIG Evaluations*

**Auditee Comment 1.** GOSP stated “The auditor claimed that GOSP invoiced for \$38,332 on the September 18, 1995 invoice, which is not correct, you added \$9,583 and \$28,749 and misinterpreted the architect’s request.”

**OIG Evaluation 1.** We disagree that the architect’s request was misinterpreted. The draft audit report stated, “On July 7, 1995 and September 18, 1995, claims for \$9,583 and \$28,749 (totaling \$38,332) were submitted for the amounts previously claimed and paid by SBA,” which was not meant to be interpreted as “GOSP invoiced for \$38,332 on the September 18, 1995 invoice.” We have modified the final report to clarify how the duplicate payment occurred.

**Auditee Comment 2.** GOSP stated that the \$2,500 reimbursement request paid to [FOIA ex. 6] and the \$800 reimbursement request paid to [FOIA ex. 6] were not related to the \$16,952 invoice from the Architect.

**OIG Evaluation 2.** We disagree that the reimbursements were not related. A letter from the Architect to GOSP, dated May 15, 1995, stated “As requested, please find copies of invoices presented to us by our consultants [FOIA ex. 6] and [FOIA ex. 6], in the amount of \$800 and \$2,500 respectively as part of the \$6,000 invoiced for reimbursable expense associated with existing conditions at the above referenced site.” The architect’s invoice No. 2 for \$16,952 included the aforementioned \$6,000.

**Auditee Comment 3.** GOSP stated that the accountant was paid \$165, \$105 and \$157.50, but does not see where the \$105 was claimed twice.

**OIG Evaluation 3.** We agree that the accountant was paid \$165, \$105, and \$157.50. GOSP did not address why it claimed \$105 reimbursement from SBA on May 30, 1995 and on July 7, 1995.

**Auditee Comment 4.** GOSP questioned the use of “two employees” in the draft report in questioning \$13,676 for actual salaries and fringe benefits.

**OIG Evaluation 4.** The audit report has been modified to read “Executive Director and Secretary positions.”

**Auditee Comment 5.** GOSP stated that they also paid [FOIA ex. 6] \$250 for site cleaning that was not included in the request.

**OIG Evaluation 5.** Costs not submitted for reimbursement were not reviewed for allowability.

**Auditee Comment 6.** GOSP stated that it would be too costly and time consuming to set up separate cost centers to allocate costs.

**OIG Evaluation 6.** In order to properly implement the relevant sections of OMB Circulars A-110 and A-122 discussed under the cost allocation section of this report, GOSP would have to set up cost centers. However, we did not recommend that separate costs centers be established because the project is nearly completed.

### *Recommendations*

We recommend that the Director, OPGM, disallow the questioned costs and obtain a refund of money from GOSP, as follows:

- A01: The \$25,059 of unallocable expenses paid related to the salary and fringe benefits of the Executive Director.
- A02: The \$160 of unallocable expenses paid related to the 1994 Financial Statements review.
- A03: The \$43,012 of duplicate claims paid.
- A04: The \$13,676 of excess claims paid related to the salary and fringe benefits of the Executive Director and Secretary positions.
- A05: The \$5,343 of excess pre-award expense claims and paid.
- A06: The \$4,200 of excess claims paid related to the Architect's proposal that was not paid by GOSP.
- A07: The \$3,000 of excess claims paid related to the Architect's fees.
- A08: The \$600 of excess claims paid related to the Site-Clean-up costs.
- A09: The \$6,011 of claims paid related to fundraising.

We did not recommend that GOSP allocate expenses since the project is nearly completed.

### ***Finding B – Title to Real Property***

Three and one-half years after receiving the SBA grant in February 1995, GOSP had not taken action necessary to comply with the grant requirement that it hold title to the property. The grant states, "Title to real property . . . shall vest with the recipient . . ." In its grant application, GOSP noted that "title or other interest in the site is or will be vested in: applicant." As of August 1998, GOSP did not hold title to the real property where the

facility was being constructed, rather it was owned by the Second Macedonia Baptist Church. In August 1998, an official of the Church stated that the property could be transferred to GOSP, if necessary, but did not indicate that action was being taken to transfer title. Without title, GOSP cannot control the use of the SBDI.

#### *Recommendation*

B01: We recommend that the Director, OPGM, make no further disbursements until GOSP obtains the title to the real property where the SBDI is being constructed.

#### ***Finding C - Grant Requirements***

GOSP did not comply with procurement standards in the grant to obtain competitive bids and bonding and to incorporate various contract provisions in contracts awarded.

#### **Competitive Bids for General Contractor**

GOSP did not provide for open and free competition in procuring a general contractor. OMB Circular A-110, §43 requires all procurement transactions to be conducted in a manner to provide, to the maximum extent practical, open and free competition. GOSP, without soliciting and receiving competitive bids, hired a general contractor to construct the Community Building (Multi-Purpose Community Center) at a cost of \$1.8 million. The General Contractor, using cost estimates he compiled when he was the project's Construction Manager, developed this \$1.8 million figure. GOSP's Construction Committee Chairman stated that he advised GOSP not to bid out the job of general contractor because bidding for the subcontracts had been done competitively. The \$1.8 million contract for the entire project, however, was actually based on the contractor's estimates, not the total of winning bids for each subcontract. Without bids from other potential general contractors, GOSP and SBA cannot determine if the executed contract was the most advantageous in terms of price and quality.

#### **Bond for Construction Project**

GOSP did not require the general contractor to obtain the required surety bonds for the \$1.8 million construction project. OMB circular A-110, §48 requires bid guarantee, performance bond, and payment bond on construction projects over \$100,000, unless the Federal awarding agency accepts the bonding policy and requirements of the recipient and makes a determination that the Federal Government's interest is adequately protected. Surety bonds ensure the completion of construction projects by requiring surety companies to pay for any uncompleted work or unpaid invoices should contractors default. GOSP mistakenly believed that the General Contractor hired to construct the SBDI was bonded. Without the surety bond, both GOSP and the Federal government risk losing their investments in the building if the Contractor defaults.

## **Contract Provisions**

GOSP did not incorporate contract provisions required by OMB Circular A-110, §48(d) and Appendix A when it awarded contracts to the Architect, Construction Manager and General Contractor. Without the required contract provisions, parties to the contracts were not bound by them, and SBA could have been prevented from reviewing the records of the Contractor, subcontractors, and Architect. Specifically, the following provisions were not included in the contracts.

- Language authorizing the recipient, Federal awarding agency, the Comptroller General of the United States, or any of their duly authorized representatives access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions.
- Equal Employment Opportunity Act – all contracts are required to contain a provision requiring compliance with Executive Order relating to Equal Employment Opportunity.
- Copeland “anti-Kickback” Act - prohibits inducing any person involved in construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled.
- Davis-Bacon Act - requires contractors to pay prevailing wages at least once a week.
- Contract Work Hours and Safety Standards Act - requires contractors to compute the wages of every mechanic and laborer on the basis of a standard workweek of 40 hours. The Act also requires contractors to pay its employees at least 1.5 times its normal pay rate for overtime work in excess of 40 hours per week, and prohibits contractors from requiring employees to work under unsanitary, hazardous or dangerous working conditions.
- Clean Air Act and the Federal Water Pollution Control Act – contracts and subgrants of amounts in excess of \$100,000 require provisions that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.
- Byrd Anti-Lobbying Amendment - requires contractors to file a certification stating that it will not and has not used Federal funds to pay any persons or organization to influence or attempt to influence an officer or employee of any agency or Congress. Also, it requires disclosure of any lobbying with non-Federal funds that take place in connection with obtaining any Federal award.

- Prohibition against dealing with businesses listed on the Debarment and Suspension List.

We are not making recommendations related to *Finding C* since it is too late for GOSP to take corrective action on the above issues.

\* \* \* \* \*

The recommendations in this audit report are based on the conclusions of the Auditing Division. **The recommendations are subject to review, management decision and action by your office in accordance with existing Agency procedures for audit follow-up and resolution.**

Please provide us your management decisions for each recommendation within 80 days. Your management decisions should be recorded on the attached SBA Forms 1824, Recommendation Action Sheet, and show either your proposed corrective action and target date for completion, or an explanation of your disagreement with our recommendations.

Should you or your staff have any questions, please contact Victor R. Ruiz, Director, Headquarters Operations at (202) 205- [FOIA ex. 2]

# *Giving of Self Partnership, Inc.*

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Rev. Thomas J. Ritter  
Chairman

Rev. Harold A. Blount  
Executive Director

Mark Kim  
SBA - OIG/Audit  
Mail Code 4112  
409 3rd Street, S.W.  
Washington, DC 20416

March 19, 1999

Subject: Audit of GOSP

Dear Mr. Kim:

I have reviewed your findings and I have incorporated my comments as follows:

## **Unallowable Expenses**

### **Salaries & Fringe Benefits**

GOSP requested and received reimbursement for the Executive Director's salary in excess of the 60 percent agreed to by SBA. GOSP submitted and SBA accepted a budget showing that the Executive Director would devote 60 percent of his time to the grant. GOSP overstated the Executive Director's salary in a budget submission to SBA that resulted in SBA's share of the salary exceeding the 60 percent agreed to by SBA. We questioned \$25,059 in salary and fringe benefits. Specifically, we found the following:

- GOSP's initial budget submission to SBA listed the Executive Director's salary and SBA's share of this salary as \$50,000. It also showed that the Executive Director would devote 60 percent of his time to the grant. In January 1995, a SBA official wrote GOSP and informed them that SBA's share of the salary should only be \$30,000 ( $\$50,000 \times 60$  percent) since the grant's share was not 100 percent. In February 1995, GOSP submitted a revised budget that showed the Executive Director still devoting 60 percent of his time to the grant and listed the Executive Director's salary as \$83,333 and SBA's share as \$50,000 ( $\$83,333 \times 60$  percent), whereas his actual salary was still approximately \$50,000.
- For the period February 1, 1995 to February 2, 1996, GOSP requested reimbursements and was paid by SBA for 100% of the Executive Director's actual salary and fringe benefits totaling \$54,445 (Although the actual salary and benefits were \$54,445, GOSP paid only \$54,391; GOSP underpaid the FICA match by \$54). In November 1997, GOSP

submitted a reimbursement request for the remaining balance of the operating budget, of which \$8,391 was for the Executive Director's salary and fringe benefits (slightly less than the \$8,571 GOSP paid). For the two time periods, GOSP was entitled to reimbursement of \$37,777 (\$62,962 in paid expense x 60 percent). GOSP, however, requested reimbursement for \$62,836, or \$25,059 in excess of their entitlements.

**Response:** Your summations are correct.

#### Accounting Services

GOSP claimed and received reimbursement of \$160 for accounting services that were not allocable to the grant. OMB Circular A-122, ¶4.a. (1) states a cost is allocable if it is incurred specifically for the award. The services to review GOSP's financial statements for a 1994 audit, and these services were not related to the grant, which was awarded in 1995. As a result, we questioned the \$160.

**Response:** Your summation is correct and so noted.

#### Expenses Not Paid or Incurred

GOSP submitted duplicate claims totaling \$43,012

#### #1 Question

On the May 25, 1995 report to [FOIA ex. 6] a request was submitted to include "Architectural Fees, invoice #3 for \$38,332," this was for "Design Development." The total of that report was for \$71,223.32, this was paid by SBA on June 8, 1995.

On June 27, 1995, the Architect submitted an invoice #3A for Design Development for \$9,583 and was paid. The other request for the balance of \$38,332 was submitted on an invoice #4 for \$28,749, totaling \$38,332.

The auditor claimed that GOSP invoiced for \$38,332 on the September 18, 1995 invoice, which is not correct, you added \$9,583 and \$28,749 and misinterpreted the architect's request.

#### #2 Question

The auditors made reference to \$4,500 for "Architect's Existing Condition Survey" and made reference to May 30, 1995, that \$3,300 was included as part of \$16,952 claimed on one line of a request for reimbursement and the same expense was claimed on two separate lines (\$2,500 & \$800) of this claim.

Attached, please find reimbursement request (dated May 25, 1995) that stated under "Construction," \$2,500 to [FOIA ex. 6] and \$800 to [FOIA ex. 6] Looking at architect's invoice #2 for \$16,952 does not indicated that those two items are related.

#3 Question

**Response:** The auditors questioned accounting fees for [FOIA ex. 6] and claimed that \$105.00 was for May 30, 1995 and again on July 7, 1995. My records show that she was paid \$165.00 for services rendered from 3/15/95 through 4/26/95, she was paid again \$262.50 for services rendered from 5/11/95 through 7/18/95, in two installments, \$105.00 retainer and \$157.50 for actual services. I do not see where \$105.00 was claimed twice.

#4 Question

GOSP claimed \$13,676 more than the actual salaries and fringe benefits. For the period of February 1, 1995 to February 2, 1996. For two employees?

- GOSP claimed \$5,343 more than the actual pre-award costs. On March 8, 1995, GOSP submitted a pre-award advance request totaling \$58,382. GOSP's records showed pre-award costs of \$53,039. The excess payment was not adjusted on subsequent requests for reimbursement.

**Response:** You are correct.

- GOSP claimed reimbursement of \$4,200 for an amount not billed or paid. On May 30, 1995 GOSP submitted a reimbursement claim related to a proposal for the architect to test underground plumbing. GOSP's accounting records showed no expense or invoice related to this testing. In my invoice to [FOIA ex. 6] dated, May 25, 1995 which includes the documentation from [FOIA ex. 6] to perform the testing.
- GOSP submitted a claim for \$3,000 more than the amount paid. On June 27, 1995, the architect invoiced GOSP \$20,797 for Design Development, Construction Documents, and Existing Conditions Survey. GOSP disputed the \$3,000 charged for Existing Conditions Survey and paid \$17,797. On July 7, 1995, GOSP submitted a claim to SBA for \$20,797 that included the unpaid \$3,000.

**Response:** Your summation is correct.

GOSP requested documentation from architect for the \$3,000 request for Existing Conditions Survey on their invoice #3A, they didn't supply the back-up and were not paid the \$3,000. GOSP did not make the adjustments on subsequent claims.

GOSP submitted a claim for \$600 more than the amount it paid. On May 8, 1995, a construction company invoiced GOSP \$1,250 for Site Clean-up costs. GOSP disputed the charge and on June 11, 1995 paid \$650. On May 25, 1995, GOSP provided documentation to SBA which showed that it claimed \$1,250 as part of the \$58,382 advance on March 8 1995.

**Response:** GOSP, also, paid [FOIA ex. 6] \$250 for site cleaning that was not included in March 8, 1995 request.

### Unallowable Expenses

GOSP inappropriately submitted a claim and was paid \$6,011 for consulting services related to fundraising. According to OMB Circular A-122, Attachment B, 23.b.

**Response:** It is correct and so noted.

### Accounting Systems

See Attached Response

### Finding B-Title to Real Property

**Response:** In the meeting on December 13, 1994 between members of GOSP and [FOIA ex. 6] [FOIA ex. 6] etc., the question arose concerning the ownership of the property and the Chairman, [FOIA ex. 6] answered by stating that GOSP and Second Macedonia Baptist Church were basically the same entities in that the chairman of the board was also the pastor of the church, as well as the board composition had sufficient enough members who are church members. That explanation apparently was satisfactory at the time, simply because funds were released from 1995 through 1998 without any more dialogue and or any directives to the contrary until your February 12, 1999 communications.

Regarding actions towards having the ownership of the real property transferred to GOSP from the Second Macedonia Baptist Church, as soon as this process is completed, GOSP will submit formal information to your office.

### Finding C - Grant Requirements

GOSP did not comply with procurement standards in the grant to obtain competitive bids and bonding and to incorporate various contract provisions in contracts awarded.

**Response:** GOSP did comply with procurement standards in obtaining competitive bids, i.e. 3 bids were obtained for an architect, 3 bids were obtained for construction manager, 3 bids were obtained for sub-contractors in each of the construction disciplines. Bids were not solicited for contractor because the construction manager assumed that position and the board did not feel that it was necessary. (See Attached) GOSP did not realize that bonding and performance bond and payment bond were not in place with the contractor.

### Contract Provisions

GOSP did not incorporate contract provisions in writing as required by OMB Circular A-110, § 48 (d) and Appendix A when awards were given to Architect, Construction Manager and Contractor.

**GIVING OF SELF PARTNERSHIP, INC.**

In response to the Accounting System area of the findings, the following will address:

GOSP set up a construction account in which monies from different grants and contracts were transferred or directly deposited. As an internal control, GOSP set up and maintained a schedule of monies that came in from different sources, enabling accurate tracking. Later, GOSP set up a separate account for the William Penn Foundation. To set up cost centers, as you recommended, would be very costly to our organization. It would be very time consuming to maintain cost centers for each grant, contracts and contributions that we received, per our account. When the Multi-Purpose Community Center is open, we will have cost centers for each service we provide, such as day care, children and youth and senior citizens programs. The medical facility will be in charge of their own accounting. They will be leasing space from GOSP.

February 23, 1999

**G.O.S.P.**

**Summary of Contract Let**

1. Demolition American East Coast [FOIA ex. 6]	
2. Landscaping Townscape Moon Landscaping	
3. Concrete & Excavation Clearwater Co. American Construction & Removal	
4. Masonry [FOIA ex. 6] [FOIA ex. 6]	[FOIA ex. 4]
5. Structural Steel Iron Shopwork Corp. [FOIA ex. 6] [FOIA ex. 6]	
6. Millwork & Appliances 1 <sup>st</sup> Line Kitchens (KBK)	
7. Roofing Bonded System [FOIA ex. 6] [FOIA ex. 6] [FOIA ex. 6]	
8. Light Weight Roof Fill [FOIA ex. 6]	

- \* = Price not complete & ability questionable
- \*\* = Invited but did not bid

TOTAL P.01

<b>9. Caulking</b> <b>Caulk-Rite, Inc.</b>	
<b>10. Wood Doors, Hollow Metal, Hardware</b> [FOIA ex. 6] <b>Tru-Fit Door &amp; Frame Co.</b> [FOIA ex. 6]	
<b>11. Aluminum Store Front Glass &amp; Glazing</b> [FOIA ex. 6] [FOIA ex. 6] <b>Eureka Metal &amp; Glass Service</b>	
<b>12. Drywall</b> <b>Carpentry</b> <b>Acoustic Tile</b>  <b>American Interior Construction</b> <b>Conquest</b> <b>Hilside Construction, Inc.</b>	[FOIA ex. 4]
<b>13. Ceramic Tile</b> <b>Til-Mar Design</b>	
<b>14. Resilient Floor &amp; Carpet</b> <b>Freedom Carpet &amp; Floor Co.</b> <b>Floorworks</b> <b>Til-Mar Design</b>	
<b>15. Painting</b> [FOIA ex. 6] <b>Q. Painting</b> <b>STA Painting</b>	
<b>16. Wall Covering</b> <b>E.D.I., Inc.</b> <b>Q. Painting</b>	

\* = Price not complete & ability questionable  
 \*\* = Invited but did not bid

<b>17. Chalk &amp; Tack Board</b> [FOIA ex. 6] [FOIA ex. 6] <b>Building Specialties</b> <b>Builders Hardware</b>	
<b>18. Toilet Partitions, Accessories &amp; Screens</b> <b>TRACORP</b> [FOIA ex. 6] <b>KBK</b>	
<b>19. Signage</b> [FOIA ex. 6] [FOIA ex. 6]	
<b>20. HVAC</b> [FOIA ex. 6] [FOIA ex. 6] <b>Accord Mechanical</b> [FOIA ex. 6] [FOIA ex. 6]	[FOIA ex. 4]
<b>21. Plumbing</b> [FOIA ex. 6] [FOIA ex. 6] <b>Rico Mechanical</b>	
<b>22. Electrical</b> <b>Triple A Electric</b> [FOIA ex. 6] <b>Centennial</b> <b>B &amp; L</b>	
<b>23. Sprinkler</b> <b>FPD</b> <b>C.M.C.</b> <b>Rico Mechanical</b>	

\* = Price not complete & ability questionable  
 \*\* = Invited but did not bid

**GIVING - OF - SELF PARTNERSHIP, INC.**  
**1301 WEST RUSCOMB STREET**  
**PHILADELPHIA, PA 19141**  
**215 - 457-9750**  
**Fax 215-457-5803**

[FOIA ex. 6]  
**Chairmen**

[FOIA ex. 6]  
**Executive Director**

To: Darryl Glover  
Grants Manager, SBA

From: [FOIA ex. 6]  
Executive Director

Subject: First Quarter Progress Report, Beginning Feb., 1995 to April, 1995

1. February - Three (3) Architectural Firms were interviewed and one was selected. [FOIA ex. 6] the other two were: [FOIA ex. 6] [FOIA ex. 6] The first task performed by [FOIA ex. 6] was to develop the " Schematic Designs", his cost for that activity was \$21,904. His next activity that is presently being worked on is the "Design Development", at a cost of \$32,877, this amount is payable in May, 1995.

Several people were interviewed for the accounting position and temporarily selected one at \$15.00 per hour. Until actual construction begins this position will remain part-time.

2. March - Three (3) Construction managers were interviewed and one was selected, [FOIA ex. 6] at a projected cost of \$90,000 to oversee actual construction and act as an agent for GOSP. The other Construction Manager interviewed were [FOIA ex. 6]
3. April - Representatives of GOSP, at the request of the Philadelphia Director of SBA, visited the Small Business Resource Center in Baltimore, Maryland to view the facilities in an effort to duplicate a Resource Center in Philadelphia, to be more specific the GOSP's Small Business Development Institute would be a satellite to the city's "One Stop Shopping Center" that is a part of the targeted "Enterprise Zone".

The Architects completed and submitted a copy of the "Rendering & Designs". This is the second step in the preconstruction.

The Engineers have been selected and have conducted a system's check on the soil and plumbing at the vacant facility.

Meetings have been ongoing with all parties involved with preconstruction and construction progress.

Yours for Service,

[FOIA ex. 6]

Executive Director

OFFICE OF INSPECTOR GENERAL  
AUDITING DIVISION

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