



## Memorandum

Date: DEC 11 1996

From: Regional Inspector General  
for Audit Services, Region IV

Subject: Review of Internal Controls at Capital Area  
Community Action Agency, Inc. (A-04-96-00099)

To: Steven J. Golightly  
Regional Administrator/Hub Director  
Administration for Children and Families

This final report provides you with the results of our review of the HHS grants and programs administered by the Capital Area Community Action Agency, Inc. (CACAA) of Tallahassee, Florida. Our objective was to determine whether CACAA has internal controls to properly manage cash receipts, cash disbursements, procurement, and account for property as required by Federal regulations.

Our review showed that CACAA has not developed and implemented an adequate internal control system for the proper management of cash receipts, cash disbursements, procurement and accountability for property. As a result, there is no assurance that HHS funds are or can be expected to be expended and accounted for in accordance with grant terms and conditions.

The internal control system is inadequate because CACAA management did not implement recommendations by the Administration for Children and Families (ACF), other funding sources, and independent auditors (CPA) over a period of at least 15 years. We recommend that ACF take appropriate actions to address problems at this grantee, including consideration of suspension or termination of all ACF funding.

The ACF agreed with our findings and recommendation. The ACF is determining the feasibility of initiating termination proceedings against CACAA. The complete text of ACF's comments are included as Appendix II.

### BACKGROUND

The CACAA is a nonprofit corporation formed to cooperate with and assist governmental and private agencies in accomplishing the purposes described in the Community Services Act of 1974 as amended. The CACAA was originally chartered in 1965 as the Leon County - Tallahassee Community Action Program to provide services under the Economic Opportunity Act of 1964. Its principle activities consist of carrying out community action programs under Federal, State, and local governmental and private agency grants requiring compliance with laws, regulations, and specific grant conditions.

The CACAA receives HHS funds directly under the Head Start program. The CACAA also receives HHS funds as flow-through funding from the Florida Department of Community Affairs (FDCA) under the Community Services Block Grant, the Low Income Home Energy Assistance Program, the Weatherization Assistance Program/Low Income Home Energy Assistance Program, and the Emergency Community Services Homeless Grant.

For HHS grants awarded and/or ended within the period October 1, 1992 through September 30, 1995, CACAA reported HHS funds awarded as \$8.9 million (\$4.5 million Head Start and \$4.4 million flow-through). The CACAA also reported the applicable Federal share of expenditures as \$7.8 million (\$3.6 million Head Start and \$4.2 million flow-through) during the same period.

Problems with CACAA's financial management capabilities were noted as far back as 1981. The problems continued into 1995, and in April 1995 ACF declared CACAA a high-risk organization. A high-risk organization is one whose management practices raise serious questions about its ability to assure proper programmatic use and financial stewardship of grant funds.

## SCOPE

The primary objective of our review was to determine whether CACAA has internal controls to properly manage cash receipts, cash disbursements, procurement, and account for property as required by Federal regulations. Our review covered October 1, 1992 through September 30, 1995 and included those HHS direct and flow-through grants which were awarded and/or terminated within our review period.

To accomplish our objectives, we focused on an understanding and evaluation of CACAA's internal controls and practices in effect during our review period and through March 31, 1996. Specifically, we reviewed internal controls pertaining to CACAA's overall organizational structure, cash receipts and disbursements, purchasing and property management, payroll, and administrative cost.

We evaluated CACAA's books, records, manuals, and other documentation in support of its cash receipts, cash disbursements, procurement, and property management. We examined files and monitoring reports maintained by the FDCA pertaining to flow-through grants awarded to CACAA. We reviewed the CACAA CPA's working papers and audit reports and HHS regional program office files on Head Start grants. In addition, we talked with CACAA, FDCA, CACAA's CPA, and ACF program representatives.

We did not provide CACAA officials with a copy of the draft report. However, on October 3, 1996, we verbally discussed our findings with CACAA officials.

We conducted our field work at the offices of CACAA, FDCA, CACAA's CPA, and the ACF's Region IV office from December 1995 through August 1996. We conducted our review in accordance with generally accepted governmental auditing standards.

On December 4, 1996, ACF provided us with written comments to the draft report.

### **DETAILED RESULTS OF REVIEW**

Our review showed that CACAA has not developed and implemented an adequate internal control system for the proper management of cash receipts and cash disbursement, procurement and accountability for property. As a result, there is no assurance that HHS funds are or can be expected to be expended and accounted for in accordance with grant terms and conditions.

The internal control system is inadequate because CACAA management did not implement recommendations by ACF, other funding sources, and CPAs over a period of at least 15 years. Details of findings by entity are contained in Appendix I. We recommend that ACF take appropriate actions to address problems at this grantee, including consideration of suspension or termination of all ACF funding.

### **CONTROLS OVER CASH RECEIPTS AND DISBURSEMENTS**

The CACAA does not have an adequate internal control system over cash receipts and cash disbursements. Federal regulations require that accountability be provided.

The Code of Federal Regulations (CFR) Title 45, Part 74, Subpart H, pertaining to financial management systems, states, *"records which identify adequately the source and application of funds for grant- or subgrant- supported activities shall be maintained. These records shall contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, outlays, income, and...effective control and accountability shall be maintained for all grant or subgrant cash...."*

Our review showed the following weaknesses in internal controls over cash receipts and cash disbursements.

- ▶ There are no detailed operating procedures. Even though CACAA developed its "Fiscal Procedures Manual" and its "Purchasing Policies and Procedures," these documents are primarily policy statements and not day-to-day detailed operating procedures. Also, CACAA has not established procedures addressing segregation of duties regarding preparing and mailing checks.
- ▶ The CACAA's accounting system is organized by program. Each program has a general ledger. However, there is no overall control

general ledger. There are no subsidiary records of accounts receivable and accounts payable. The CACAA also does not maintain subsidiary records for approved and supported journal entries. The CACAA does not utilize an accounts receivable or an accounts payable function other than to accrue receivables and payables at month or grant end. The accounting records are not secured in a limited access area under lock and key. Even though accounting data is stored in CACAA's computer system, the complete accounting records have not been printed in hard copy since September 30, 1995.

- ▶ Interfund transfer activity among Federal programs existed between January 31, 1995 and September 30, 1995. For example, the Head Start general ledger at January 31, 1995 showed \$54,000 due to three other programs from Head Start, i.e. LIHEAP, Home Repair, and General fund. The Head Start general ledger at September 30, 1995 showed \$20,482 due to Head Start from three other programs, i.e. LIHEAP, Home Repair, and General fund, and \$26,000 due to two other programs from Head Start, i.e. LIHEAP and Home Repair.

(Federal regulations prohibit funds that are awarded for one program to be used for another program. The 45 CFR, Part 74.37 references Office of Management and Budget (OMB) Circular A-122 which contains cost principles for nonprofit organizations. The OMB Circular A-122 provides that any cost allocable to a particular award may not be shifted to other Federal awards to overcome funding deficiencies. Until August 1995, CACAA's "Fiscal Procedures Manual" provided for interprogram loans or transfers. The manual stated in part, "There are instances when contract or grant checks are late arriving from the funding sources. On these occasions, it may become necessary to borrow funds until checks are received to prevent temporary shut-downs of programs." The manual provided for third party (bank) loans and interprogram loans/transfers (loans between programs). Although CACAA's policy allowing interprogram transfers was deleted from their manual, interprogram transfer activity still existed as of September 30, 1995.

- ▶ Financial reports and other documentation required by awarding agencies were not submitted timely and accurately. For example, at the time of our review, CACAA was unable to show that it had submitted revised final financial reports for Head Start covering program years ended December 31, 1993 and 1992. The CACAA was also unable to show that it had responded to a December 6, 1994 refunding letter as requested by ACF on July 13, 1995. The CACAA also submitted, as final, a financial report on Head Start for program year ended December 31, 1994 that did not reflect the actual non-Federal share of expenditures. The report did not agree with CACAA records.

- ▶ The CACAA's practices require all employees to prepare bi-weekly time sheets showing hours and percentage of effort devoted to programs. These time sheets are approved by the executive director of CACAA. However, CACAA's practices do not ensure that the distribution of payroll charges is appropriate based on the effort devoted to the various programs.
- ▶ We noted that at least three of CACAA's administrative personnel did not have their salaries allocated among all of CACAA's programs. First, the executive director's salary is not allocated to Head Start even though the executive director oversees all of CACAA's operations. Second, the personnel director's salary is not allocated to one of CACAA's grants. Third, the purchasing representative's salary is allocated 100% to the Community Services Block Grant. Both the personnel director and the purchasing representative perform services for all of CACAA's programs.
- ▶ The CACAA's salary scales and job class listings are outdated. We noted instances of positions filled with individuals whose annual salaries exceeded the maximum salary for the position and class as listed on their job descriptions. Even though a proposed revised job class and salary scale is pending, some of the salaries being paid would still exceed the maximum salary proposed for the position.
- ▶ The CACAA's determination of cash needs is not always based on the accounting records or bank statement balances. Rather, cash needs are estimated.

Internal control weaknesses pertaining to cash receipts and cash disbursements also include:

- A duplicate copy of deposit slips is not submitted to banks for signature.
- No receipts are given to individuals rendering cash (currency) for miscellaneous transactions. Notations are made on a summary sheet only.
- The person picking up mail containing checks is also able to deposit the checks.
- Payroll checks in the administrative office can be delivered by the executive director, one of the signers of checks.

## **CONTROLS OVER PROCUREMENT AND PROPERTY**

The CACAA does not have adequate internal controls over procurement and property management. Federal regulations require that accountability be provided.

The CFR, Title 45, Part 74, Appendix H, references Attachment O (procurement standards) of OMB Circular A-110 which provides "...standards for use by recipients in establishing procedures for the procurement of supplies, equipment...and other services with Federal funds.... Recipients may use their own procurement policies and procedures...." as long as they adhere to the standards set forth in Attachment O of OMB Circular A-110.

The CFR, Title 45, Part 74, Subpart O, pertaining to property management states that property shall be safeguarded and maintained and "*property records shall be maintained accurately*" which include a description, identification, information needed to determine the Federal share, acquisition date, cost, location, use, condition, and disposition of the equipment and confirmation that physical inventories are taken and reconciled to the property records.

We noted the following weaknesses in controls over procurement and property.

### **Procurement**

- The CACAA has not established day-to-day detailed operating procedures for procurement covering: (1) grantor approval for expenditures for capital items before funds are expended; (2) capitalization and depreciation methodology in accordance with Federal requirements; and (3) periodic reports of equipment needing repair, no longer useful, or obsolete.
- The CACAA has not established procedures for: (1) obtaining the best possible price for items not subject to competitive bidding; (2) obtaining specific prior approval by grantor/contractor of certain costs in order for the costs to be allowable; (3) requiring the purchasing representative to maintain control over items or dollar amounts needing grantor/contractor's prior approval; and (4) precluding claims for unallowable costs.
- \* Purchasing practices reflect a lack of documentation or approval as required by CACAA's Fiscal Procedures Manual. We selected 50 purchase transactions and noted the following deficiencies.
  - There was no documentation to show that CACAA obtained: (1) approval of its Board of Directors for purchases of some items costing in excess of \$1,000 per item (five instances); (2) three telephone quotes for some purchases from \$300 to \$499 (five instances), (3) or three written quotes/bids for some purchases from \$500 and up (five instances).

- We noted: (1) instances of purchases that are not supported by invoices (nine instances); (2) purchase orders not listed on the purchase order log (two instances); (3) no written explanation for a check amount and an invoice being more than the purchase order and requisition (one instance); (4) invoice dates prior to purchase order and requisition dates (two instances); and (5) CACAA direct payment for an accident that should have been paid by CACAA's liability insurance policy, which had no deductible. (one instance)
- The CACAA executive director approves purchase requisitions and invoices for payment and is one of the signers of checks, using a check-signing plate of which he has control and custody.
- There is a disagreement within CACAA as to the dollar amount definition of equipment per CACAA. The CACAA's "Fiscal Procedures Manual" defines equipment as an item having a unit cost of at least \$500 and a useful life of more than 1 year, whereas the CACAA "Purchasing Policies and Procedures" manual uses \$100 as the unit value.
- The CACAA's purchasing representative has no control over and is not made aware when a purchase order is sent to a vendor and is not made aware when items are received. The purchasing representative's responsibility is limited to preparing, approving, and maintaining a file of the purchase orders.

### **Property**

- Inventory log documentation is frequently not complete as to acquisition date, serial number, unit cost, condition, signature, or date.
- The CACAA representatives were unable to provide us with documentation of the last physical inventory or to confirm the date of the last physical inventory.
- Depreciation is not always calculated correctly. We noted three items where depreciation was calculated from the date of purchase order placement rather than date of receipt of the items.
- There is neither a central receiving department nor one individual assigned to handle receipt of all supplies and equipment. A logbook of goods received is not kept. Each individual requesting supplies and equipment is responsible for assuring that the items are received.

The above deficiencies in the internal controls over cash receipts, disbursements, procurement, and property demonstrate the lack of financial stewardship by CACAA over grant funds. Essentially the same deficiencies noted here have also been identified and reported in reviews by other funding agencies and CACAA's CPA.

## **REVIEWS BY OTHER FUNDING ENTITIES AND CPAs**

The internal control problems reported in this review have existed for at least 15 years. The CACAA's CPA reported in 1981 and again in 1983 through 1995, with the exception of 1992 and 1993, similar financial management capability problems as our review shows and as those reported by ACF and other entities that provide funding to CACAA. The reports included recommendations for improvement.

The CACAA's internal control problems are chronicled in a 1995 audit report by the CACAA's CPA and 1995 monitoring reports by the FDCA and the United Way of Big Bend, Inc. These reports also included recommendations for improvement.

The FDCA provides flow-through funding for several CACAA programs. The United Way provided matching funds for the Head Start program until October 1995 when the United Way terminated its relationship with CACAA. The results of each review is summarized below. Details of findings by entity are contained in Appendix I.

In March 1995, ACF made a site visit to CACAA to follow up on a March 1994 review of the Head Start program. The ACF reported serious deficiencies in the overall financial management capabilities of CACAA. Four of the deficiencies reported in 1994 continued to exist in 1995. The ACF advised CACAA to correct the findings and to submit a corrective action plan assuring that all findings were corrected by September 30, 1995.

Because of the seriousness of the deficiencies, ACF declared CACAA a "high risk" organization. The designation of high risk permitted ACF to provide additional technical assistance and this was offered to CACAA. The CACAA responded in May 1995 with a corrective action plan advising that the deficiencies had been corrected or were being corrected and requested technical assistance for preparing a purchasing manual and updating its computer system.

However a month later, CACAA, through its CPA, advised ACF that the technical assistance previously requested was no longer needed as the purchasing manual and the computer system updating had been completed. The ACF advised CACAA in July 1995 that several of its solutions to correct the problems were unacceptable and requested CACAA to provide additional information. However, at the time of our review some of the issues had not been resolved.

In July 1995, the FDCA issued a report based on its monitoring review of CACAA's flow-through funded programs. The report contained three findings pertaining to CACAA's internal control system and recommended corrective action. The CACAA responded that the reported problems had been corrected. However, the FDCA noted that one of the findings had not been corrected.

Also in July 1995, the United Way issued a report based on its review of CACAA. This report included three findings relating to CACAA's budgeting controls, imposed conditional funding requirements, and requested CACAA to respond. However, CACAA did not respond to the report within the specified time frame. The United Way terminated its relationship with CACAA with an October 4, 1995 letter which indicated that the termination was due to CACAA's failure to respond and failure to work with the United Way in trying to resolve CACAA's budgeting control problems.

In March 1996, the CACAA CPA issued an audit report on CACAA for fiscal year (FY) ended September 30, 1995. This report largely confirmed the findings of both the ACF report and our current review. The CPA's report included five findings pertaining to CACAA's internal control system, one finding pertaining to compliance with specific requirements applicable to major programs, and three findings pertaining to compliance with general requirements applicable to Federal awards. Regarding the one finding pertaining to compliance with major program requirements, the CPA was unable to obtain sufficient documentation to support claims for advances and reimbursements under the Head Start program. In essence, the CPA concluded the financial records of the Head Start program were unauditible.

As a result of the above conditions, there is no assurance that cash receipts, cash disbursements, procurement, and property are or can be expected to be properly managed and accounted for in accordance with Federal regulations. There is also no assurance that CACAA is in compliance with its by-laws, which provides for CACAA to "develop, maintain, and supervise the internal fiscal control and accounting procedures."

The above conditions were caused by a lack of adequate management action to ensure that adequate internal controls were developed and implemented. Numerous reviews over a period of time have recommended CACAA management to develop and implement such controls. However, CACAA management has not developed and implemented the controls.

Given the seriousness and longevity of CACAA's financial management problems, we believe ACF needs to take immediate action regarding the problems, including taking action as provided for in 45 CFR Part 1303. The 45 CFR Part 1303 provides nine reasons for suspension or termination of financial assistance to grantees. One of the reasons provided is that the "... grantee fails to abide by any other terms and conditions of its award of financial assistance, or any other applicable laws, regulations, or other applicable Federal or State requirements or policies." Considering that, CACAA, over a period of years, has failed to abide by Federal regulations concerning cash receipts, cash disbursements, and procurement. We believe suspension or termination would be appropriate.

**Recommendation**

We recommend ACF take appropriate actions to address problems at this grantee, including consideration of suspension or termination of all ACF funding awarded to CACAA.

**ACF Comments**

In written comments to our draft report, ACF agreed with our findings and recommendation. The ACF is seeking an opinion from the Office of General Counsel regarding initiating termination proceedings against CACAA. The complete text of ACF's comments are included as Appendix II.

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Please refer to Common Identification Number (CIN) A-04-96-00099 in any correspondence related to this report.

If you have any questions regarding this report, please contact John Drake, Audit Manager at 1-2446, extension 104.

  
Charles J. Curtis

# **APPENDICES**

## Prior Review Findings of Various Funding Sources

### ACF 1995 Review Finding Recommendations

At the time of our review, there were nine ACF recommendations from the 1995 review that were unimplemented (four of which remained from ACF's 1994 review). The ACF had set September 30, 1995 as deadline for implementing the recommendations. The nine unimplemented recommendations were as follows.

- The ACF recommended development of a financial policies and procedures manual. The CACAA updated/revised its "Fiscal Procedures Manual" and issued a "Purchasing Policies and Procedures" manual both effective August 1995. However, our review showed these "procedures" were not day-to-day detailed operating procedures but rather primarily policy statements. Furthermore, the "procedures" did not address (as required by ACF) an adequate time and effort reporting system, all circumstances relating to prior approvals by funding agencies, comparing receiving reports to invoices, recording correcting entries of canceled purchase orders, or eliminating the need for the executive director to verify volunteer time sheets. (Unresolved issue from 1994 ACF review)
- The ACF recommended updating of the computer system. However, CACAA's computer system was not updated to include a control ledger or subsidiary records of accounts receivable or accounts payable, including unliquidated obligations. (Unresolved issue from 1994 ACF review)
- The ACF recommended that financial reports indicate unliquidated obligations. However, our review showed monthly financial reports did not indicate unliquidated obligations.
- The ACF recommended CACAA submit a revised Payment Management System report for December 31, 1994. The CACAA submitted the same report it previously submitted to ACF. However, the resubmitted report and accompanying letter did not address interfund transfers and subsequent liquidation nor contain the certifications of correctness as required by ACF. Furthermore, interfund balances had not been eliminated as of September 30, 1995.
- The ACF recommended CACAA submit revised reports for Program Year 26 and 27. However, CACAA did not provide us with documentation showing it had resubmitted the reports.

-- The ACF recommended CACAA submit a response to the ACF December 6, 1994 refunding letter request for additional information pertaining to the Head Start refunding grant application. The CACAA did not provide us with documentation showing it had submitted the response.

-- The ACF recommended CACAA submit cost allocation plans. Our review showed CACAA had not submitted the cost allocation plans.

-- The ACF recommended development and implementation of an adequate property management system. The CACAA did not have an adequate property management system. Inventory records were not complete and documentation was not available to substantiate the last complete physical inventory. (Unresolved issue from 1994 ACF review)

-- The ACF recommended implementation of procedures to ensure against excess cash or cash overdraws. Our review showed that CACAA did not document cash balances on hand in its cash needs calculations. (Unresolved issue from 1994 ACF review)

#### FDCA 1995 Monitoring Review Report

The FDCA monitoring review report on flow-through funded grants cited three internal control findings as follows.

-- Monthly financial reports CACAA filed were not in agreement with actual expenditures.

-- Monthly financial reports for two programs arrived after due dates.

-- Funds were transferred between three flow-through funded grants contrary to program regulations.

#### United Way of Big Bend, Inc. 1995 Review Report

The United Way of Big Bend, Inc. review report included three findings pertaining to budgeting internal controls.

-- The CACAA did not have a well defined budget process.

-- The CACAA either did not understand budget information requirements, consistently ignored the requirements, or its budget process did not allow it to completely respond to the requirements.

-- The CACAA board relied too heavily upon staff in matters of financial management, and the staff did not have the necessary skills to formulate budgets.

CPA Audit Report for FY Ended September 30, 1995

The CPA audit report on CACAA for FY ended September 30, 1995, included five findings pertaining to CACAA's internal control system, one finding pertaining to compliance with specific requirements applicable to major programs, and three findings pertaining to compliance with general requirements applicable to Federal awards.

The five findings cited as reportable conditions considered as material weaknesses in CACAA's internal control structure were as follows.

- Cost allocation method - The CACAA did not have an approved formal plan for allocating administrative costs.
- Journal entries - There was a lack of approval and support for most of the journal entries.
- General ledger - There were a significant number of errors in the coding of revenues and expenses to the general ledger.
- Accounting software - The CACAA did not adequately utilize its installed computer software for accounting purposes.
- Grant reports - Certain grant reports filed for the period ended September 30, 1995 were not in agreement with the actual expenditure reports of CACAA.

The one finding pertaining to compliance with specific requirements applicable to major programs was as follows.

- Head Start - The report stated, "We were unable to obtain sufficient documentation supporting compliance of the Organization with the requirements of Head Start governing claims for advances and reimbursements; nor were we able to satisfy ourselves as to the Organization's compliance with those requirements of Head Start governing claims for advances and reimbursements by performing other auditing procedures."

The three findings cited as instances of material noncompliance with general requirements applicable to Federal awards as material to the financial statements were as follows.

-- Property management system - No records existed as required by OMB Circular A-110 in Section 34, Part 1, nor was a physical inventory of equipment or a reconciliation of such equipment performed as required by OMB Circular A-110 in Section 34, Part 2.

-- Procurement - The CACAA did not comply with Federal requirements in that all procurement standards were not written as outlined in OMB Circular A-110, Section 44.

-- Accounting system - The Federal share of expenses on numerous grants required significant adjustments be made to CACAA's system to properly reflect expenses for the year.

#### CPA Reports for FYs 1981 and 1983 through 1994

The CPA audits on CACAA covering FYs 1981, 1983 through 1991 and 1994 contained some of the same or similar findings as those shown in our review, or as reported by ACF and other entities that provide funding to CACAA, or as cited by CACAA's CPA for FY ended September 30, 1995 as follows.

- The general ledger was out of balance (1981)
- A summary of journal entries was not maintained (1981)
- Financial expenditure reports did not agree with accounting records (1981, 1983, 1984, 1985, 1989, 1990, 1994)
- Inventory records did not reflect actual inventory (1981)
- Interfund transfers existed (1983, 1984, 1985, 1986, 1987)
- Accounting records were incomplete and were not posted for the last half of the FY (1984)
- Expenditures were not adequately documented (1984, 1988, 1989)
- Identification numbers were missing from property (1986)
- Accounting records were inadequate (1986). The CPA stated in his management letter, "I found the initial records totally inadequate upon my first request for records in late January or early February."

-- Cash needs requirements were incorrect as bank overdrafts existed (1985, 1988, 1989)

-- Internal controls weaknesses over cash receipts and cash disbursements existed and included:

- \* Paid invoices were not canceled (1988, 1989)

- \* A running cash balance was not kept on check stubs (1988)

- \* Checks were used out of sequence (1989)

- \* Bank balances were not reconciled to the general ledger for the last half of the FY (1991)



DEPARTMENT OF HEALTH & HUMAN SERVICES

APPENDIX 2  
ADMINISTRATION FOR  
CHILDREN AND FAMILIES

Region IV

REFER TO : OFO IGB (2200)  
DATE: : December 3, 1996  
FROM : Steven J. Golightly  
Regional Administrator/Hub Director  
SUBJECT : OIG-OA Review of Capital Area Community Action  
Agency, Inc. (CACAA)  
TO : Charles J. Curtis  
Regional Inspector General  
for Audit Services, Region IV

On November 19, 1996, Kenneth Pritchett, Ira Braitsch, and Fran Braunbeck of my staff met with John Drake to conduct an exit conference on your agency's draft review of internal controls over cash receipts, cash disbursements, procurement and property at CACAA.

We concur with your agency's findings concerning CACAA. We have forwarded a copy of your draft report to the Office of General Counsel for their opinion regarding initiating termination proceedings based on the report. We will take action to protect the Government's interest as soon as we receive the Office of General Counsel's response and your final report.

If you have any questions, please contact Kenneth Pritchett of my staff at 331-2023 ext. 303.

*W. Kenneth Jackson*  
for Steven J. Golightly

DEC 04 1996