



APR 17 2000

MEMORANDUM FOR THE HONORABLE LORRAINE P. LEWIS
INSPECTOR GENERAL
DEPARTMENT OF EDUCATION

SUBJECT: Review of Cost Claimed by the Information Protection and Advocacy Center for
People with Disabilities, (IPACHI), Washington, D.C. (A-03-00-00500)

The attached final report presents the **REVIEW OF COST CLAIMED BY THE INFORMATION PROTECTION AND ADVOCACY CENTER FOR PEOPLE WITH DISABILITIES (IPACHI), WASHINGTON, D.C.** This report is the result of a collaborative effort by our Office of Audit Services and your audit group in Philadelphia, Pennsylvania.

The audit covered cost claimed by IPACHI during the 3-year period October 1, 1992 through the cessation of IPACHI operations in the summer of 1995. During that period, IPACHI received \$3,120,605 of which \$300,000 was from the Rehabilitation Services Administration (RSA). Of the total claimed, we are recommending financial adjustments of \$725,009 from the District of Columbia who had fiscal responsibility over this operation. The Federal share of the recommended adjustment is \$394,947. The RSA share is \$56,009. We have recommended that our Department's Assistant Secretary for Management and Budget take appropriate action in recovering \$338,938 of the Department's Federal share of questioned cost. Your program office may want to seek recovery of their share directly from the District.

We did not issue a draft report to IPACHI or otherwise obtain official comments on this report since IPACHI had ceased operations prior to the start of this audit. The results of this audit were provided to the Department of Justice in October 1996. We recently received clearance to issue this report from them.

If you have any questions concerning this report please feel free to contact me, or you may have a member of your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

Michael Mangano
for June Gibbs Brown
Inspector General

Attachment

**Memorandum**

Date *Michael Mangano*
From June Gibbs Brown
for Inspector General

Subject Review of Cost Claimed by the Information Protection and Advocacy Center for People with Disabilities, (IPACHI), Washington, D.C. (A-03-00-00500)

To Nelba Chavez, Administrator
Substance Abuse and Mental Health Services Administration

The attached final report presents the **REVIEW OF COST CLAIMED BY THE INFORMATION PROTECTION AND ADVOCACY CENTER FOR PEOPLE WITH DISABILITIES (IPACHI), WASHINGTON, D.C.**

The audit covered cost claimed by IPACHI during the 3-year period October 1, 1992 through the cessation of IPACHI's operations in the summer of 1995. During that period, IPACHI received \$3,120,605 of which \$1,763,658 was from three Federal funding sources. The Substance Abuse and Mental Health Services Administration provided \$748,139 of the total funds.

Of the total \$3,120,605 claimed, we are recommending a financial adjustment of \$725,009. The recommended financial adjustment is categorized as follows:

- ... \$289,796 for cost associated with the Executive Director and her husband, the Director of Publications. These unallowable cost included: (1) salary costs of the Executive Director and the Director of Publications; (2) American Express credit card charges made by the Executive Director for personal purchases and travel expenses; (3) EXXON credit card charges made by the Executive Director for personal travel; (4) IPACHI checks issued by the Executive Director to herself; (5) reimbursements to the Executive Director for use of personal funds; (6) other unallowable travel cost of the Executive Director; and (7) salary advances not repaid by the Executive Director.
- ... \$283,488 for cost associated with the retirement package prepared specifically for the prior Executive Director, a package that violated provisions of Office of Management and Budget Circular A-122.
- ... \$146,069 for cost associated with legal fees of the IPACHI corporate counsel who devoted no time to Federal grants.
- ... \$5,656 for cost associated with donations and entertainment expenses.

The Federal share of the recommended adjustments is \$394,947 of which \$176,872 is related to the Substance Abuse and Mental Health Services Administration. We did not issue a draft report to IPACHI or otherwise obtain IPACHI's official comments on this report since IPACHI had ceased operations prior to the start of our audit. The results of the audit were provided to the Department of Justice (DOJ) in October 1996 to consider criminal and civil prosecution. The DOJ, in October 1999, declined prosecution and stated that the matter should be handled administratively.

While our audit did not focus specifically on IPACHI's internal control system since it was no longer in operation, we noted that many of the above questioned costs, particularly those associated with the Executive Director, resulted from poor internal controls. We attempted to determine if IPACHI had accounted for program income in its records, but primarily because of the internal control weakness discussed in this report and also the fact that IPACHI employees were not readily available to the auditors due to the cessation of operations, we cannot state with any acceptable degree of certainty that we identified all program income earned by IPACHI.

We did determine that the Executive Director submitted inaccurate requests for reimbursement (Standard Form(SF)-270s) to the Federal Government after IPACHI was placed in a "high-risk" status. Our review of four reimbursement requests disclosed that some of the cash outlays that were reportedly made during the reporting periods were not made. According to the former IPACHI employee who prepared the SF-270s, the amounts included on the forms were not generated from IPACHI's general ledger but were provided to her by the Executive Director. The Executive Director certified on each of the SF-270s that, to the best of her knowledge and belief, the cash outlays were made in accordance with the grant conditions.

We, therefore, have recommended that the Assistant Secretary for Management and Budget: (1) take action in recovering \$338,938 of the Department's Federal share of questioned cost from the District of Columbia consisting of: \$162,066 for ACF and \$176,872 for Public Health Services (PHS)--the remaining \$56,009 is to be recovered by the Education Department; (2) determine the Federal share of \$258,648 of questioned cost attributed to programs funded by the District's Department of Human Services; (3) alert ACF's Administration on Developmental Disabilities and PHS' Substance Abuse and Mental Health Administration to have their on-site review teams to focus on the internal control, weaknesses identified in this report such as grantee management's use of corporate credit cards and the preparation of the Financial Status Reports; and (4) seek debarment of the Executive Director from eligibility for Federal assistance.

Page 3 - Nelba Chavez

Any questions or comments on any aspect of this report are welcome. Please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

Attachment

**Memorandum**

APR 17 2000

Date

From

Michael Mangano
June Gibbs Brown
Inspector General

Subject

Review of Cost Claimed by the Information Protection and Advocacy Center for People with Disabilities, (IPACHI), Washington, D.C. (A-03-00-00500)

To

John J. Callahan
Assistant Secretary for
Management and Budget

The attached final report presents the **REVIEW OF COST CLAIMED BY THE INFORMATION PROTECTION AND ADVOCACY CENTER FOR PEOPLE WITH DISABILITIES (IPACHI), WASHINGTON, D.C.** The objectives of our audit were to determine if:

- ... The IPACHI could account for all Federal funds drawn down during the period October 1, 1992 through September 30, 1995.
- ... Federal funds drawn down during this 3-year period were expended in accordance with provisions of Office of Management and Budget Circular A-122 and that program income was accounted for properly.
- ... Each Standard Form 270 (Request for Advance or Reimbursement) required to be submitted by IPACHI was accurate.

The audit covered cost claimed by IPACHI during the 3-year period October 1, 1992 through the cessation of IPACHI operations in the summer of 1995. During that period, IPACHI received \$3,120,605 of which \$1,763,658 was from three Federal funding sources. Of the total claimed, we are recommending financial adjustments of \$725,009. The Federal share of these recommended adjustments is \$394,947.

We did not issue a draft report to IPACHI or otherwise obtain official comments on this report since IPACHI had ceased operations prior to the start of our audit. The results of the audit were provided to the Department of Justice (DOJ) in October 1996 to consider criminal and civil prosecution. The DOJ, in October 1999, declined prosecution and stated that the matter should be handled administratively.

We, therefore, have recommended that your office: (1) take appropriate action in recovering \$338,938 of the Department's Federal share of questioned cost from the District of Columbia consisting of: \$162,066 for the Administration for Children and Families (ACF); and \$176,872 for the Public Health Services (PHS)-- the remaining \$56,009 is to be recovered by the Education Department (2) determine the Federal share of \$258,648 of questioned cost

Page 2 - John J. Callahan

attributed to programs funded by the District's Department of Human Services; (3) alert ACF's Administration on Developmental Disabilities and PHS' Substance Abuse and Mental Health Services Administration to have their on-site review teams to focus on the internal control weaknesses report such as grantee management's use of corporate credit cards and the preparation of the Financial Status Reports; and (4) seek debarment of the Executive Director from eligibility for Federal assistance.

We would appreciate your comments and the status of any action taken or contemplated on our recommendations within the next 60 days. If you or your staff wish to further discuss the issues raised by our final report, please call John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

To facilitate identification, please refer to Common Identification Number A-03-00-00500 in all correspondence relating to this report.

Attachment

**Memorandum**

APR 17 1995

Date

From *Michael Mangano*
June Gibbs Brown
Inspector General

Subject

Review of Cost Claimed by the Information Protection and Advocacy Center for People with Disabilities, (IPACHI), Washington, D.C. (A-03-00-00500)

To

Olivia A. Golden
Assistant Secretary
for Children and Families

The attached final report presents the **REVIEW OF COST CLAIMED BY THE INFORMATION PROTECTION AND ADVOCACY CENTER FOR PEOPLE WITH DISABILITIES (IPACHI), WASHINGTON, D.C.**

The audit covered cost claimed by IPACHI during the 3-year period October 1, 1992 through the cessation of IPACHI's operations in the summer of 1995. During that period, IPACHI received \$3,120,605 of which \$1,763,658 was from three Federal funding sources. The Administration on Developmental Disabilities provided \$715,519 of the total funds.

Of the total \$3,120,605 claimed, we are recommending a financial adjustment of \$725,009. The recommended financial adjustment is categorized as follows:

- ... \$289,796 for cost associated with the Executive Director and her husband, the Director of Publications. These unallowable costs included: (1) salary costs of the Executive Director and the Director of Publications; (2) American Express credit card charges made by the Executive Director for personal purchases and travel expenses; (3) EXXON credit card charges made by the Executive Director for personal travel; (4) IPACHI checks issued by the Executive Director to herself; (5) reimbursements to the Executive Director for use of personal funds; (6) other unallowable travel cost of the Executive Director; and (7) salary advances not repaid by the Executive Director.
- ... \$283,488 for cost associated with the retirement package prepared specifically for the prior Executive Director, a package that violated provisions of Office of Management and Budget Circular A-122.
- ... \$146,069 for cost associated with legal fees of the IPACHI corporate counsel who devoted no time to Federal grants.
- ... \$5,656 for cost associated with donations and entertainment expenses.

The Federal share of the recommended adjustments is \$394,947 of which \$162,066 is related to the Administration on Developmental Disabilities. We did not issue a draft report to IPACHI or otherwise obtain IPACHI's official comments on this report since IPACHI had ceased operations prior to the start of our audit. The results of the audit were provided to the Department of Justice (DOJ) in October 1996 to consider criminal and civil prosecution. The DOJ, in October 1999, declined prosecution and stated that the matter should be handled administratively.

While our audit did not focus specifically on IPACHI's internal control system since it was no longer in operation, we noted that many of the above questioned costs, particularly those associated with the Executive Director, resulted from poor internal controls. We attempted to determine if IPACHI had accounted for program income in its records, but primarily because of the internal control weakness discussed in this report and also the fact that IPACHI employees were not readily available to the auditors due to the cessation of operations, we cannot state with any acceptable degree of certainty that we identified all program income earned by IPACHI.

We did determine that the Executive Director submitted inaccurate requests for reimbursement (Standard Form(SF)-270s) to the Federal Government after IPACHI was placed in a "high-risk" status. Our review of four reimbursement requests disclosed that some of the cash outlays that were reportedly made during the reporting periods were not made. According to the former IPACHI employee who prepared the SF-270s, the amounts included on the forms were not generated from IPACHI's general ledger but were provided to her by the Executive Director. The Executive Director certified on each of the SF-270s that, to the best of her knowledge and belief, the cash outlays were made in accordance with the grant conditions.

We, therefore, have recommended that the Assistant Secretary for Management and Budget: (1) take action in recovering \$338,938 of the Department's Federal share of questioned cost from the District of Columbia consisting of: \$162,066 for ACF and \$176,872 for Public Health Services (PHS)--the remaining \$56,009 is to be recovered by the Education Department; (2) determine the Federal share of \$258,648 of questioned cost attributed to programs funded by the District's Department of Human Services; (3) alert ACF's Administration on Developmental Disabilities and PHS' Substance Abuse and Mental Health Administration to have their on-site review teams to focus on the internal control weaknesses identified in this report such as grantee management's use of corporate credit cards and the preparation of the Financial Status Reports; and (4) seek debarment of the Executive Director from eligibility for Federal assistance.

Page 3 - Olivia A. Golden

Any questions or comments on any aspect of this report are welcome. Please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF COST CLAIMED BY THE
INFORMATION PROTECTION AND
ADVOCACY CENTER FOR PEOPLE
WITH DISABILITIES, (IPACHI)**

WASHINGTON, D.C.



**JUNE GIBBS BROWN
Inspector General**

**APRIL 2000
A-03-00-00500**

SUMMARY

This final audit report provides you with the **REVIEW OF COST CLAIMED BY THE INFORMATION PROTECTION ADVOCACY CENTER FOR PEOPLE WITH DISABILITIES (IPACHI), WASHINGTON, D. C.** The IPACHI, which had ceased operations prior to the start of this audit, received grants awarded by the Department of Health and Human Services' (HHS) Public Health Service (PHS), and Administration for Children and Families (ACF); the Department of Education's (ED) Rehabilitation Services Administration (RSA); and the District of Columbia's Department of Human Services (DHS). The DHS, according to the Code of Federal Regulations, is accountable for the proper and appropriate expenditure of Federal funds. During the 3-year period covered by this audit, October 1, 1992 through the cessation of IPACHI's operations in the Summer of 1995, IPACHI received \$1,763,658 from the three Federal funding sources, and \$1,356,947 from DHS and other sources.

OBJECTIVES

Our audit was performed in response to a request from the Commissioner of the Administration on Developmental Disabilities (ADD) within ACF, the Director of the Center for Mental Health Services (CMHS) within PHS, and the Commissioner of RSA within ED. They requested that the scope of our audit include a review of IPACHI's financial management practices, fiscal records and expenditures for Fiscal Years (FYs) 1993 through 1995 (October 1, 1992 through September 30, 1995).

In response to this request, the HHS/Office of Inspector General (OIG) established a team consisting of auditors from its Office of Audit Services, an investigator from its Office of Investigations; and an auditor from the ED/OIG to conduct the review of IPACHI. The audit team established three major objectives for the audit:

- ✓ Determine if IPACHI could account for all Federal funds drawn down during the period October 1, 1992 through September 30, 1995.
- ✓ Determine if Federal funds drawn down by IPACHI during this 3-year period were expended in accordance with provisions of Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations," and that program income was properly accounted for in IPACHI records.
- ✓ Determine if the Standard Forms (SF) 270 (Request for Advance or Reimbursement) required of IPACHI because of its designation as a "high-risk" grantee were accurate.

Because IPACHI accounting records obtained by the audit team through the issuance of an HHS/OIG subpoena were neither complete nor reconcilable to the Financial Status Reports SF-269 (FSRs), we could not trace individual expenditures to the funding source. We, therefore, had to expand our scope of audit to all expenditures made by IPACHI during the 3-year audit period regardless of their funding source.

SUMMARY OF FINDINGS

During the 3-year period of our audit, IPACHI's accounting records show that IPACHI received \$3,120,605 from all sources, of which \$1,763,658 or about 57 percent was from the three Federal awarding agencies. We have questioned \$725,009 of the \$3,120,605 in total expenditures as being unallowable, unreasonable or unallocable under provisions of OMB Circular A-122. We allocated the questioned cost to the various funding sources based on the percentage of funds received by IPACHI each FY from each funding source as recorded on the bank statements (see Page 6 for details of this allocation method). The Federal share of the questioned cost, based on our allocation method, is \$394,947.

We have categorized the \$725,009 of questioned cost as follows:

- \$289,796¹ for cost associated with the Executive Director and her husband, the Director of Publications. The questioned cost includes: (1) unallowable salary cost of the Executive Director and her husband, the Director of Publications; (2) American Express credit card (AMEX) charges made by the Executive Director for personal purchases and travel expenses; (3) EXXON credit card charges made by the Executive Director for personal travel; (4) IPACHI checks issued by the Executive Director to herself; (5) reimbursements to the Executive Director for use of personal funds; (6) other unallowable travel of the Executive Director; and (7) salary advances not repaid by the Executive Director. The questioned amount is net of the \$32,262 that the Executive Director repaid IPACHI and the American Express Company for her misuse of the IPACHI AMEX credit card and salary advances. The Federal share is \$162,452. (See Appendix A)

¹ On January 26, 1995, the Executive Director wrote a personal check to IPACHI for \$10,000. Annotated on the check was the word "loan." We found no documentation to show what this check was for. Therefore, we do not know whether the Executive Director was making a loan to IPACHI or paying off a loan that she received from IPACHI. Although we found no evidence that the Executive Director obtained a loan from IPACHI during the period of our review beginning October 1, 1992, it is possible that she had obtained a loan prior to that time. If it is determined that the Executive Director did make a loan to IPACHI, the questioned cost may be offset by the amount of the loan.

- \$283,488 for cost associated with the retirement package prepared specifically for the prior Executive Director, a package that violated provisions of OMB Circular A-122. The Federal share is \$142,143. (See Appendix A)
- \$146,069 for cost associated with legal fees of the IPACHI corporate counsel who devoted no time to the Federal grants. The Federal share is \$86,869. (See Appendix A)
- \$5,656 for cost associated with donations and entertainment-related expenses which are unallowable according to OMB Circular A-122. The Federal share is \$3,483. (See Appendix A)

We also determined that the Executive Director submitted inaccurate requests for reimbursement (SF-270s) to the Federal Government after IPACHI was placed in a "high-risk" status (Page 27). Our review of four reimbursement requests disclosed that some of the cash outlays that were reportedly made during the reporting periods were not made. According to the former IPACHI employee who prepared the SF-270s, the amounts included on the forms were not generated from IPACHI's general ledger but were provided to her by the Executive Director. The Executive Director certified on each of the SF-270s that, to the best of her knowledge and belief, the cash outlays were made in accordance with the grant conditions.

While our audit did not focus specifically on IPACHI's internal control system since it was no longer in operation, we noted that many of the above questioned costs, particularly those associated with the Executive Director, resulted from poor internal controls. The Executive Director:

- ✓ failed to adhere to or ignored Federal regulations;
- ✓ used IPACHI credit cards, particularly the AMEX credit card, as if they were her own personal credit cards and then was solely responsible for identifying and reimbursing IPACHI for personal charges;
- ✓ had her husband, the Director of Publications, accompany her on several trips without documenting the need for his presence at various conferences that she attended;
- ✓ issued IPACHI checks to herself without adequate documentation to support the payments;
- ✓ obtained reimbursement from IPACHI for purchases she made using her own funds without any oversight as to the need for the purchases or their relationship to the grants;

- ✓ claimed travel cost without any oversight review; and
- ✓ authorized salary advances for herself and did not always repay them.

The IPACHI is no longer in operation, and its lack of internal controls is now a moot point. Therefore, we are not making any procedural recommendations for improvement in IPACHI's internal controls. We believe, however, that the flagrant internal control weaknesses we noted at IPACHI compel the Federal awarding agencies to ensure that such practices are not occurring at other grantees similar to IPACHI. One example is the misuse of the AMEX credit card by the Executive Director. We noted that the on-site review protocol used by ACF and PHS does not specifically address the use of credit cards by grantee management or the internal controls over the cards. Another example is IPACHI's failure to ensure that its accounting records reconcile to the FSRs.

Because of the crosscutting issues, we recommend that your office:

1. Take appropriate action in recovering \$338,938 of the Department's Federal share of questioned cost from the District of Columbia's DHS consisting of: \$162,066 for ACF; and \$176,872 for PHS-- the remaining \$56,009 is to be recovered by ED. Details on the allocation of the questioned cost are presented in Appendix A, Page 2 of 2.
2. Determine its share of questioned cost attributed to programs funded by DHS. The total amount of questioned cost allocated to DHS was \$258,648. Details on the allocation of the questioned cost are presented in Appendix A, Page 1 of 2.
3. Alert ACF's Administration on Developmental Disabled and PHS' Substance Abuse and Mental Health Administration to have their on-site review teams to focus on the internal control weaknesses identified in this report such as grantee management's use of corporate credit cards and the preparation of FSRs.
4. Seek debarment of the Executive Director.

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INTRODUCTION

BACKGROUND

The IPACHI, a private, nonprofit agency, was established in 1969. In 1979, the Mayor of the District of Columbia designated IPACHI to be the responsible agency to provide protection and advocacy services to eligible citizens of the District of Columbia. The Protection and Advocacy (P&A) programs were mandated by Congress to provide legal representation and advocacy services on behalf of persons with disabilities. Part C of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6041) provides formula grant support to the P&A program designated by each State to protect and advocate the rights of persons with developmental disabilities. The P&A programs do not provide care; they are independent of any entity providing health services.

Even though the Mayor of the District of Columbia designated IPACHI to be the responsible agency to provide these services, the DHS is ultimately responsible for assuring that Federal funds are spent appropriately. The Code of Federal Regulations, 45 CFR 1386.20 (c) states in the event that an entity outside the State government is designated to carry out the program, the designating official must assign a responsible state official to receive notices of disallowance and compliance action as the State is accountable for the proper and appropriate expenditure of Federal funds.

At the core of IPACHI's mission was the protection of the legal, civil and human rights of all persons with developmental disabilities and/or mental illness. In accomplishing its mission, IPACHI linked persons with disabilities with available resources and services, and focused on areas such as special education, investigation of abuse and neglect of persons with developmental disabilities and mental illness, and advocacy for individuals who have been denied Social Security disability benefits. The IPACHI also provided information and advice to clients regarding available rehabilitation programs and benefits.

The business and affairs of IPACHI were governed by a Board of Directors (Board). The Board members were elected at an annual meeting and served terms of 2 years or until their successors were elected and qualified. The Board's officers included a Chairman, Secretary and Treasurer. The day-to-day operation and business of IPACHI were supervised by an Executive Director. The Executive Director was responsible to the Board for implementing the direction and policies established by them. Additionally, the Executive Director gave the Board periodic reports on the status of IPACHI. Since its inception, IPACHI has had two Executive Directors. In this report, they are identified as:

- the prior Executive Director who served in that position from IPACHI's inception until her retirement on December 31, 1990; and

- the Executive Director who first became the Acting Executive Director effective January 2, 1991, and became the permanent Executive Director in November 1991.

During FYs 1993 through 1995, IPACHI received \$1,763,658 in Federal funds from three Federal agencies; ACF and PHS, both of which are HHS organizations and RSA which is an ED organization. Details on the Federal funding to IPACHI follow.

- ✓ ***ADD within ACF.*** The IPACHI received \$715,519 from ADD during the 3-year period to fund the Protection and Advocacy for Persons with Developmental Disabilities (PADD) program which was created by the Developmental Disabilities Assistance and Bill of Rights Act of 1975. Grantees are required under the Act to pursue legal, administrative and other appropriate remedies to protect and advocate for the rights of individuals with disabilities under all applicable Federal and State laws. Because of a computer problem at the Federal agency which administers the draw down of Federal funds, IPACHI was able to draw down \$247,342 more than its FY 1994 grant award. The ACF, which awarded the PADD grant, requested IPACHI to repay the overdrawn amount. The IPACHI failed to do so, and in November 1994 ACF offset that amount against IPACHI's FY 1995 grant authority totalling \$254,508, thus limiting the FY 1995 funds available to \$7,166.
- ✓ ***CMHS within PHS.*** The IPACHI received \$748,139 from CMHS during the 3-year period to fund the Protection and Advocacy for Individuals with Mental Illness (PAIMI) program which was established in 1986. Grantees are mandated to protect and advocate the rights of individuals with mental illness and investigate reports of abuse and neglect in facilities that care for these individuals.
- ✓ ***RSA within ED.*** The IPACHI received \$300,000 from RSA in FYs 1994 and 1995 to fund the Protection and Advocacy for Individuals Rights (PAIR) program which was established under the Rehabilitation Act of 1993. The program was established to protect and advocate for the legal and human rights of persons with disabilities.

During the 3-year period, IPACHI also received \$1,014,926 in funding from DHS (a portion of which was Federal funds); and \$342,021 from other grants and donations. Based on our review of IPACHI's cash receipts, the total Federal funding for the period of our review represented about 57 percent of total funding to support IPACHI operations.

The Federal agencies responded to IPACHI overdrawing its FY 1994 PADD grant award and refusing to return the overdrawn funds. In November 1994, ACF offset the overdrawn

amount against its FY 1995 award to IPACHI. In **December 1994**, CMHS notified IPACHI that it was invoking provisions of 45 CFR Part 74, Subpart A, relating to grantee organizations that demonstrated poor business management practices. The CMHS declared IPACHI a high-risk grantee, a status that would be in effect until the ACF debt was repaid in full or until a corrective action plan was presented and approved that addressed the repayment of the overdraft.

In **May 1995**, IPACHI denied ACF officials (the OIG had a representative there as an observer) access to its administrative and fiscal records, thus precluding the officials from determining how the \$247,342 overdraft was used. As a result of this action, IPACHI was ruled out of compliance with Section 104(b) of the Developmental Disabilities Assistance and Bill of Rights Act, Public Law 103-230. In **June 1995**, CMHS officials visited IPACHI to examine financial and program records and to interview staff regarding allegations of insolvency. Based on its findings, CMHS changed the status of the IPACHI grant from "high-risk" to "suspension." The CMHS verified that IPACHI was in arrears for 3 to 8 months on financial obligations and had ceased intake of clients. Given these circumstances, CMHS was concerned that IPACHI may have used grant funds for unauthorized purposes. In **August 1995**, CMHS formally suspended the grant awarded to IPACHI. By that time, IPACHI had ceased operations as the P&A in the District of Columbia.

SCOPE OF AUDIT

Objectives of Audit

Our audit was performed in accordance with generally accepted government auditing standards except that, because of the nature of this audit and the fact that IPACHI was no longer operational, we did not issue a draft report to IPACHI or otherwise obtain its official comments on this report. Furthermore, we were faced with scope impairments dealing with the condition of IPACHI's financial records, and access to IPACHI staff which caused us to apply alternate audit techniques, all of which are reported later in this section of the report.

The audit was conducted in response to a request from the Commissioner, ADD within ACF; the Director of CMHS within PHS; and the Commissioner, RSA within ED. They requested that the scope of our audit include a review of IPACHI's financial management practices, fiscal records and expenditures for FYs 1993 through 1995. An immediate concern to ADD was IPACHI's use of the FY 1994 excess draw down of \$247,342.

The HHS/OIG assumed primary responsibility for the review of IPACHI because HHS provided the majority of Federal funds to IPACHI. The ED/OIG, however, provided a staff member to work on the audit team assigned to the review. We designed our audit objectives to determine if:

- ✓ IPACHI could account for all Federal funds drawn down during the period October 1, 1992 through September 30, 1995.
- ✓ Federal funds drawn down by IPACHI during this 3-year period ³ were expended in accordance with provisions of OMB Circular A-122.
- ✓ The SF-270s required of IPACHI because of its designation as a "high-risk" grantee were accurate.

We also attempted to determine if IPACHI had program income, and if so, that it was properly accounted for in IPACHI's records. The IPACHI was eligible to obtain attorneys fees through court actions in defense of the population it served. Our review of the financial records identified \$44,552 of legal fees. The former IPACHI staff attorneys stated that they handled approximately 70-80 cases. However, they did not know how, or if, the attorneys fees were treated as program income. When a supervisory attorney left IPACHI, he expressed his concerns about attorneys fees not being reported as program income to his successor. However, the successor did not elaborate on these concerns in our interview. Other employees stated attorney fees that were received were deposited into IPACHI accounts.

Primarily because of the internal control weakness discussed in this report and also the fact that IPACHI employees were not readily available to the auditors due to the cessation of operations, we cannot state with any acceptable degree of certainty that we identified all program income earned by IPACHI.

Audit Methodology

When we began our audit in August 1995, IPACHI was no longer in operation. We, therefore, obtained IPACHI records through the issuance of an HHS/OIG subpoena. The Chairman of the Board fully cooperated with the OIG by making available to us IPACHI records which were located at various storage facilities in the District of Columbia area. The records we obtained were not filed in any organized manner, rather they appeared to have been boxed and placed in storage. The audited financial statements for FY 1993 were, however, found in these boxes along with the FY 1993 General Ledger. Final copies of the General Ledgers for FY 1994 and 1995 were not found.

As a routine audit step, we attempted to reconcile IPACHI's financial statements to the FSRs that IPACHI was required to submit to the Federal awarding agencies for each of the three FYs under review. The IPACHI had an independent audit performed under provisions of OMB Circular A-133 "Audits of Institutions of Higher Education and Other Nonprofit

³ We extended the scope of our review of the prior Executive Director's retirement package to include all benefits received under the package since its inception in 1991.

Institutions" by a Certified Public Accounting (CPA) firm which covered FY 1993. The IPACHI did not have audited financial statements for FYs 1994 or 1995.

We focused our initial efforts on reconciling the FSRs to the audited statements for FY 1993, however, we were unable to do so. The expenditures for the Federal grants as reported on the audited financial statements were significantly higher than the outlay figures reported on the final FSRs for FY 1993. For example, IPACHI reported \$215,407 in expenditures on the FSR for the FY 1993 PADD program but the audited financial statements showed expenditures of \$359,856.

We designed alternate audit techniques because: (1) the FSRs could not be relied on to accurately reflect program expenditures; (2) IPACHI records that we obtained were incomplete; and (3) those records we did obtain and review indicated serious weaknesses in the internal control structure of IPACHI.⁴ For these reasons, we decided to review all expenditures for the 3-year period using available IPACHI records, canceled checks and bank statements obtained from IPACHI's banks through issuance of a HHS/OIG subpoena. We obtained virtually all of the canceled checks issued by IPACHI during the 3-year period. For those few checks not obtained, we either satisfied our audit objectives by reviewing supporting records or the amounts of the expenditures were immaterial.

Using this audit approach, our scope of audit covered all expenditures made by IPACHI regardless of the funding source and included the FY 1994 excess draw down of \$247,342. We analyzed all of IPACHI's bank statements, for each of its eight bank accounts that we identified, for FYs 1993 through 1995. We created a database of all checks which cleared the bank during our audit period and were able to determine if selected expenditures were made in accordance with OMB Circular A-122.

Since we were unable to accurately trace each expenditure to its funding source, we developed a method to allocate the cost that we questioned. Our allocation method recognized all revenue sources for each FY as shown in the following table. The questioned costs were allocated to the three Federal grants, the DHS grants and other funding sources based on the proportionate share of the total revenues received in each year. Appendix A to this report provides full details on how we allocated the questioned cost to the various funding sources.

⁴ We attempted to obtain an understanding of IPACHI's internal control system. Since IPACHI was not in operation at the time of our audit and staff were not available for detailed discussions, we relied on the substantive work that we performed to reach conclusions on the adequacy of internal controls.

FUNDS RECEIVED BY IPACHI DURING FYs 1993 THROUGH 1995							
FY	Federal	(Pct.)	DHS	(Pct.)	Other	(Pct.)	Total
1993	\$ 515,405	(45.4)	\$ 553,554	(48.8)	\$ 66,264	(5.8)	\$1,135,223
1994	933,401	(70.0)	276,124	(20.7)	123,695	(9.3)	1,333,220
1995	314,852	(48.3)	185,248	(28.4)	152,062	(23.3)	652,162
Total	\$1,763,658	(56.5)	\$1,014,926	(32.5)	\$342,021	(11.0)	\$3,120,605

We did not have the opportunity to discuss audit concerns as they arose during the course of the audit since IPACHI was not operational. However, we participated in interviews of former IPACHI employees conducted by an agent of the OIG's Office of Investigations.

We did not review any programmatic aspects of the grants awarded to IPACHI. The audit was performed at our offices in Philadelphia, Pennsylvania between August 1995 and July 1996.

RESULTS OF AUDIT

Our audit of expenditures made by IPACHI from October 1, 1992 through the final close of business on August 1, 1995, including the \$247,342 that it drew down in excess of the FY 1994 PADD award amount, disclosed that \$725,009 of cost was either unallowable, unreasonable or unallocable under OMB Circular A-122.

We have categorized the \$725,009 of questioned cost as follows:

- \$289,796⁵ for cost associated with the Executive Director and her husband, the Director of Publications. This amount is the net questioned cost and takes into consideration the \$32,262 that the Executive Director repaid IPACHI and AMEX for her personal use of the AMEX credit card and salary advances. The Federal share is \$162,452. (See Appendix A)
- \$283,488 for cost associated with the retirement package prepared specifically for the

⁵ On January 26, 1995, the Executive Director wrote a personal check to IPACHI for \$10,000. Annotated on the check was the word "loan." We found no documentation to show what this check was for. Therefore, we do not know whether the Executive Director was making a loan to IPACHI or paying off a loan that she received from IPACHI. Although we found no evidence that the Executive Director obtained a loan from IPACHI during the period of our review beginning October 1, 1992, it is possible that she had obtained a loan prior to that time. If it is determined that the Executive Director did make a loan to IPACHI, the questioned cost may be offset by the amount of the loan.

prior Executive Director. The Federal share is \$142,143. (See Appendix A)

- \$146,069 for cost associated with legal fees. The Federal share is \$86,869. (See Appendix A)
- \$5,656 for cost associated with donations and entertainment-related expenses. The Federal share is \$3,483. (See Appendix A)

We also determined that the Executive Director submitted inaccurate requests for reimbursement (SF-270s) to the Federal Government after IPACHI was placed in a "high-risk" status.

The IPACHI's accounting records that we obtained through issuance of an OIG subpoena did not enable us to identify the funding source for expenditures. Therefore, to determine the Federal share of the questioned cost, we allocated the questioned cost based on the proportion of funds contributed by the Federal grants, DHS, and other revenue sources for each year of our audit. As shown in the table on Page 5 of this report, the Federal share was 45.4 percent in FY 1993; 70 percent in FY 1994, and 48.3 percent in FY 1995. Using this methodology, we determined that \$394,947 of the \$725,009 questioned is the Federal share and should be disallowed. In the narrative of this report, we refer to total cost only. The allocations among the funding sources are found in Appendix A.

It is important to note that for the purposes of our audit, we did not assume the \$247,342 excess draw down to be unallowable in itself. There were two reasons for this. One, we had to include the excess draw down amount in our review of allowability and allocability since expenditures could not be traced to specific grants, and, therefore, we could not specifically determine how the excess draw down was spent. Two, ACF offset the excess draw down against the FY 1995 grant award. Should ACF decide to disallow the entire excess draw down amount, the percentages on which we computed the Federal share of unallowable cost should be revised to eliminate the excess draw down from the calculations.

UNALLOWABLE COST ASSOCIATED WITH THE EXECUTIVE DIRECTOR AND THE DIRECTOR OF PUBLICATIONS

We are questioning \$289,796 of cost associated with the Executive Director and her husband, the Director of Publications. The questioned costs are summarized in the following table.

SUMMARY OF UNALLOWABLE COST ASSOCIATED WITH THE EXECUTIVE DIRECTOR (Ex. Dir.) AND DIRECTOR OF PUBLICATIONS				
Category	FY 1993	FY 1994	FY 1995	Total
Salary Cost	\$ 85,524	\$ 92,365	\$60,023	\$237,912
Use of AMEX Card	13,188	18,747	429	32,364*
Use of EXXON Card	2,366	2,509	1,999	6,874
Checks Issued by Ex. Dir. to Herself	0	1,750	5,974	7,724
Reimbursement to Ex. Dir. for Use of Personal Funds	186	223	2,257	2,666
Other Unallowable Travel Cost	0	1,534	33	1,567
Unpaid Salary Advances	0	0	689	689*
Total	\$101,264	\$117,128	\$71,404	\$289,796

* These amounts reflect the net unallowable cost as they take into consideration the \$22,251 that the Executive Director repaid for her personal use of the AMEX credit card, and the \$10,011 that she repaid for her salary advances.

In our opinion, a serious breach of sound internal controls at IPACHI was a major factor in permitting these unallowable cost to be incurred and to remain either undetected and/or uncorrected. The Executive Director:

- ✓ failed to adhere to or ignored Federal regulations;
- ✓ used IPACHI credit cards, particularly the AMEX credit card, as if they were her own personal credit cards and then was solely responsible for identifying and reimbursing IPACHI for personal charges;
- ✓ had her husband, the Director of Publications, accompany her on several trips without documenting the need for his presence at various conferences that she attended;
- ✓ issued IPACHI checks to herself without adequate documentation to support the payments;
- ✓ obtained reimbursement from IPACHI for purchases she made using her own funds without any oversight as to the need for the purchases or their relationship to the grants;

- ✓ claimed travel cost without any oversight review; and
- ✓ authorized salary advances for herself and did not always repay them.

Salaries of Executive Director and the Director of Publications

We are questioning \$237,912 of salary and salary-related cost associated with the Executive Director and the Director of Publications because the Executive Director did not complete a monthly personnel activity report as required by OMB Circular A-122, and the Director of

Publications did little work on the Federal grants.

In order for salary cost to be chargeable to a Federal award the salary must be supported by personnel activity reports. The OMB Circular A-122, Attachment B states that:

- the distribution of salaries and wages to awards must be supported by personnel activity reports--Paragraph 6(l)(1); and
- reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged in whole or in part, directly to awards--Paragraph 6(l)(2).

The OMB Circular A-122, Attachment A, Part 4(a) further states that a cost is allocable to a particular cost objective, such as a Federal grant, in accordance with the relative benefits received.

During the period of our audit, the Executive Director received a salary totaling \$142,553. We determined that IPACHI maintained personnel activity reports for its employees, with one exception--the Executive Director did not maintain personnel activity reports to account for her time. In an interview, the Executive Director confirmed that she did not prepare the reports. She also indicated that she was fully aware of the provisions of OMB Circular A-122. Since personnel activity reports did not exist to support the salary of the Executive Director, we are questioning the \$142,553 because it is a violation of OMB Circular A-122.

During the period of our audit, the Director of Publications received \$97,199 in salary. The Director prepared personnel activity reports. We were able to obtain 52 of these reports covering the period March 19, 1993 to March 31, 1995. The 52 reports accounted for 4,186 hours, of which 3,494 hours were charged to direct accounts while the remaining 692 hours were charged to annual leave, sick leave and so forth. We determined that 1,002 hours, or about 29 percent of the direct charges, were spent on fund raising activities, and another 522 hours, or 15 percent, were spent on Christmas store activities, neither of which were related to the Federal grants. The Director of Publications charged only 96 hours to the Federal grants. This amounted to 1 percent in 1993, 2 percent in 1994 and 3 percent in 1995. Applying these

percentages to the Director of Publication's salary, we determined that \$95,359 of the Director's salary was not allocable to the Federal grants.

The results of our review of the personnel activity reports were corroborated in interviews with six former employees who stated that they were unaware of any grant-related activities conducted by the Director of Publications. Two of these former employees indicated that the Director of Publications used IPACHI computer equipment to do outside work.

Misuse of AMEX Credit Card

During our audit period, IPACHI was billed \$89,943 for charges made against its AMEX credit card. We determined that \$54,615 of this amount, or about 61 percent, represents unallowable charges

made by the Executive Director. This amount consists of:

- ☞ \$42,022 of unallowable charges resulting from the Executive Director's regular and routine use of the IPACHI AMEX credit card to make personal purchases of such items as: men and women's clothes, men and women's shoes, women's intimate apparel, perfume, a travel vacation package, and food and beverages in local restaurants.
- ☞ \$12,593 of unallowable travel cost caused primarily by the Executive Director using the AMEX credit card for costs: (1) which were previously reimbursed through a travel advance; (2) of her husband, the Director of Publications when there was no business need for him to travel with her; (3) resulted from extended stays in connection with business travel; and (4) that were not supported by adequate documentation.

The Executive Director eventually repaid \$22,251 for personal use of the IPACHI AMEX credit card, most of which she repaid after being informed by IPACHI's financial consultant in FY 1995. We are questioning the \$32,364 which was unpaid as of the date of this review. Details concerning specific AMEX charges are found in Appendix B.

The unallowable cost occurred because there was no existing internal control over the Executive Director's use of the AMEX credit card. She was able to use the IPACHI AMEX credit card as she pleased; she was the only person responsible for reviewing the AMEX monthly statements and identifying her personal charges; and she was able to reimburse IPACHI at her own discretion.

Clearly these circumstances represent a serious breach of sound internal controls as well as a violation of provisions of OMB Circular A-122, which established principles for determining cost of grants, contracts and other agreements with nonprofit organizations. The principles are designed to provide that the Federal Government bears its fair share of cost except those restricted or prohibited by law. Attachment A, Section A(3) states that in determining the

reasonableness of a given cost, consideration shall be given to whether the cost is the type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award; and whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Government. As stated previously in this report, a cost is allocable to a Federal grant in accordance with the relative benefits received by the grant.

In our opinion, the Executive Director violated these provisions of the circular. Her personal use of IPACHI's AMEX credit card was obviously not an ordinary and necessary cost of doing business, nor was it a prudent practice under any circumstances let alone considering the social advocacy mission of the organization.

Unallowable Cost Identified by OIG

We reviewed all AMEX statements which were paid by IPACHI from October 1, 1992 up to April 1995 (no further payments were made by IPACHI). We noted that the Executive Director would review the monthly AMEX statements and identify purchases that she felt were personal, including travel cost charged to the AMEX card. She would place her initials on the statement alongside those charges she deemed personal. As shown in the following table, which summarizes the unallowable use of the IPACHI AMEX credit card by the Executive Director, she did not identify all personal or unallowable charges, nor did she reimburse IPACHI for all charges that she did identify as personal.

SUMMARY OF EXECUTIVE DIRECTOR'S (Ex. Dir.) USE OF AMEX CREDIT CARD							
FY	Unallowable AMEX Charges Identified By				Total Unallowable OIG	Payments by Ex. Dir.	Total Unpaid
	Personal		Travel				
	Ex. Dir.	OIG	Ex. Dir.	OIG			
1993	\$ 5,414	\$12,807	\$ 105	\$ 1,960	\$14,767	\$1,579	\$13,188
1994	13,189	16,359	2,699	7,016	23,375	4,628	18,747
1995	8,067	12,856	70	\$ 3,617	16,473	16,044	429
Total	\$26,670	\$42,022	\$2,874	\$12,593	\$54,615	\$22,251	\$32,364

As can be seen from the above table, the Executive Director recognized that she used the IPACHI AMEX credit card to make personal purchases of \$26,670 and to pay for personal travel cost of \$2,874 in FYs 1993 through 1995. However, she made very few payments in FYs 1993 and 1994 to either reimburse IPACHI or pay AMEX directly. To illustrate this

point, the Executive Director identified personal purchases of \$21,378 on the FYs 1993 and 1994 AMEX monthly statements. During that same time frame, she repaid IPACHI (or AMEX directly) only \$6,207, requiring IPACHI to assume the burden of the financial liability for the rest of her personal purchases.

It was not until FY 1995 when informed by the IPACHI financial consultant that she made a large lump sum payment to reimburse IPACHI for her personal use of the AMEX card. On January 19, 1995, she wrote a personal check to IPACHI in the amount of \$20,000 of which \$15,289 was applied against her use of the IPACHI credit card. This was the amount computed by the financial consultant based on prior identification by the Executive Director. Our review disclosed that the \$15,289 repaid by the Executive Director did not take into account either personal purchases made by her and paid by IPACHI during FY 1993, or personal purchases and unallowable travel cost that she did not identify as personal on the AMEX statements. As summarized below by FY, we are questioning an additional \$32,364 for unallowable charges to the AMEX credit card that have not been repaid by the Executive Director.

FY 1993

We identified \$14,767 of AMEX charges by the Executive Director that were either personal in nature (\$12,807) or unallowable travel cost (\$1,960). The Executive Director had identified \$5,519 of these charges as personal but had repaid only \$1,579 to IPACHI for her misuse of the credit card.

The personal charges of \$12,807 were for personal items such as clothing and food and beverages consumed in local restaurants. Examples of some of the personal purchases made by the Executive Director using the AMEX credit card follow.

- ☛ ***Bloomingdales.*** The Executive Director identified one personal purchase at Bloomingdales for a coat totaling \$90. She failed to identify two other personal purchases of sportswear for \$485. Throughout the period of our review, the Executive Director made 13 personal purchases at this establishment totaling \$1,148 (net of returns).

- ☛ ***Saks and Lord & Taylor.*** The Executive Director did not identify any personal purchases made at either Saks Fifth Avenue or Lord & Taylor in FY 1993. We identified five personal purchases at Saks Fifth Avenue totaling \$439 for dresses, a skirt, men's hosiery, and perfume. We identified five personal purchases at Lord & Taylor totaling \$488 for perfume and men's fragrances. Throughout the period of our review, the Executive Director made 12 personal purchases at Saks Fifth Avenue for a total of \$989 (net of returns). She did not use the AMEX credit card for additional purchases at Lord & Taylor.

- ☞ **Spiegel, Inc.** The Executive Director identified one personal purchase at Spiegel, Inc. for woman's clothing totaling \$341. She failed to identify six other personal purchases of women's clothes and shoes totaling \$307. Throughout the period of our review, the Executive Director made 23 personal purchases at this establishment totaling \$1,728 (net of returns).
- ☞ **Victoria's Secret.** The Executive Director identified six personal purchases at Victoria's Secret of intimate apparel totaling \$323. She failed to identify another six personal purchases of intimate apparel totaling \$362. Her purchases totaled \$685 in FY 1993. She made no additional purchases at this establishment using the IPACHI AMEX credit card.
- ☞ **Food and Beverages.** The Executive Director identified 13 personal purchases of food and beverages totaling \$654. These expenses were incurred at such establishments as Houlihan's, China Inn, and the Lauriol Plaza, all located in the District of Columbia area. The Executive Director did not identify 13 personal purchases totaling \$666 for food and beverages, 10 of which were made at the 3 establishments previously mentioned.

The unallowable travel cost of \$1,960 related to four of five trips that we reviewed which were made by the Executive Director. On two of these trips, she was accompanied by her husband, the Director of Publications. We are questioning the cost associated with all of his trips since the trips were not business or grant-related. The OMB Circular A-122, Attachment B, Paragraph 50(a) states that travel cost are the expenses for transportation, lodging, subsistence and related items incurred by employees who are in travel status on official business of the organization. His expenses account for \$438 of the questioned amount.

The questioned cost consists of:

- ☞ \$1,010 for a trip to Albuquerque by the Executive Director and her husband, the Director of Publications. The records available to us did not document the purpose of the trip, therefore, we could not determine if it was grant related. Included in this amount is \$238 which is the cost of airfare for her husband.
- ☞ \$750 for trips to Chicago, New Orleans and Dallas for which the Executive Director claimed costs that were already reimbursed through travel advances, or for which adequate documentation was missing.
- ☞ \$200 for the airfare of the Director of Publications who accompanied the Executive Director on the trip to New Orleans. The trip was in relation to a National Association of Protection and Advocacy Systems (NAPAS)

conference. We were informed by NAPAS personnel that the Director of Publications did not attend the conference but did attend social activities.

FY 1994

The Executive Director's personal use of the credit card increased significantly in FY 1994. We identified \$23,375 of AMEX charges by the Executive Director that were either personal in nature (\$16,359) or unallowable travel cost (\$7,016). The Executive Director had identified \$15,888 of these charges as personal but had repaid only \$4,628 to IPACHI for her misuse of the credit card.

The personal charges of \$16,359 were for items such as clothing and food and beverages consumed in local restaurants, basically the same type as those made in the previous year, and a travel vacation package. For example:

- ☛ ***Nordstrom.*** The Executive Director identified six personal purchases made at Nordstrom totaling \$979 for such items as men's furnishings, men's shoes, and women's apparel. She failed to identify an additional three personal purchases totaling \$753 for jewelry, men's furnishings, and a purchase identified only as "small leather." Throughout the period of our review, the Executive Director made 16 personal purchases at this establishment totaling \$2,981 (net of returns).
- ☛ ***Food and Beverages.*** The Executive Director identified 31 personal purchases of food and beverages totaling \$2,081 at various restaurants she visited while in a non-travel status. We identified four other personal purchases of food and beverages totaling \$189.
- ☛ ***African Travel Company.*** The Executive Director purchased a "vacation package/tour" on March 31, 1994 at a cost of \$2,125. This expenditure was shown on the April AMEX statement. Although she identified this as a personal expenditure, she made no repayments to IPACHI at that time.

The unallowable travel cost of \$7,016 related to seven trips that we reviewed which were made by the Executive Director. On three of these trips, she was accompanied by her husband, who accounted for \$833 of the questioned cost. Aside from the questioned cost associated with the husband's travel, the majority of the questioned cost fell into the following categories:

- ☛ \$3,509 of cost associated with trips to Orlando, Denver and San Diego. The records provided to us did not support these expenditures and did not explain the purpose of the trip (San Diego).

- ☞ \$757 of cost incurred because the Executive Director extended her business trips to Denver and Newport. She spent time in these cities either prior to or after the scheduled dates of the conferences.
- ☞ \$468 of cost claimed by the Executive Director which were already reimbursed to her in the form of travel advances for trips to New York, Newport, and Denver.

FY 1995

We identified \$16,473 of AMEX charges by the Executive Director that were either personal in nature (\$12,856) or unallowable travel cost (\$3,617). The Executive Director had identified \$8,137 of these charges as personal. She made one payment of \$755 for personal purchases up to the point that the IPACHI financial consultant informed her in January 1995 of her personal use of the IPACHI AMEX card.

The personal charges of \$12,856 related to personal purchases which were basically the same type as those made in the previous years, with one noted exception. As shown below, the Executive Director also used the IPACHI credit card to make payments on an installment plan.

- ☞ ***Horchow Collection.*** The Executive Director identified as personal four payments totaling \$2,221 to Horchow Collection under an extended payment plan. She failed to identify the last payment of \$555 under the extended payment plan which was on the February 1995 statement as well as three other personal purchases totaling \$693 for a black leather beauty case, gold wine glasses and flatware. Throughout the period of our review, the Executive Director made 11 personal purchases at this establishment totaling \$3,683.

The unallowable travel cost of \$3,617 related to five trips that we reviewed which were made by the Executive Director. On three of these trips, she was accompanied by her husband, the Director of Publications. He accounted for \$886 of the questioned cost. The questioned cost consists of:

- ☞ \$2,537 for trips to Albuquerque, San Diego and Phoenix by the Executive Director and her husband. The available records did not document the purpose of the trips, therefore, we could not determine if they were grant related.

- ☛ \$736 for a trip to Detroit by the Executive Director and a non-employee of IPACHI to attend an art auction meeting. There was no documentation to show any relationship to the Federal grants.
- ☛ \$344 for a trip to Oakland. These cost lacked adequate support.

Misuse Continued After Notification by the Financial Consultant

Throughout the 3-year period of our review, the Executive Director used the IPACHI AMEX credit card as if it were her own personal credit card. Although she identified some personal purchases, she did not make repayment for most of them until the matter of her misuse of the card was brought to her attention by IPACHI's financial consultant in January 1995.

According to the consultant, he explained to the Executive Director that her use of the AMEX card was improper. She responded by requesting that he perform an analysis of her AMEX charges for the period August 1993 through December 1994. The consultant did so by identifying the payments that the Executive Director had already identified as being personal on the monthly statements. He informed us that he did not make an independent attempt to identify additional personal purchases that she made. He concluded that she owed IPACHI \$15,289 for personal purchases that she made and recorded on monthly statements paid by IPACHI from October 1993 through December 1994. The financial consultant stated that at that time he also established an account receivable for her on IPACHI's records, indicating that no such record was established prior to that point in time.

On January 19, 1995, she made out a personal check to IPACHI in the amount of \$20,000. We were subsequently told by the financial consultant that \$15,289 was applied to her AMEX debt and \$4,711 to her outstanding salary advances. Since we have documentation showing that the check cleared the bank we are accepting this information.

We noted that the Executive Director continued to use the IPACHI AMEX credit card for personal purchases after being informed by the financial consultant that this misuse was improper, and after she had reimbursed IPACHI for some previous personal purchases. On the January 1995 AMEX statement (dated January 31, 1995), the Executive Director identified 18 personal charges totaling \$3,779. We determined that seven of these charges totaling \$1,257 were made on January 19 (the date she wrote the check to IPACHI) or after. We identified 14 additional personal purchases totaling \$1,746 (net of returns) that were made in February and March 1995.

In summary, we believe that the Executive Director, notwithstanding the fact that she identified some of the unallowable charges and repaid some, misused the IPACHI AMEX credit card. She charged \$54,615 of personal purchases and unallowable travel cost, including the cost of her husband's airfares, to the card. As of the date of this review, we have identified \$32,364 of these unallowable charges that she has not repaid.

Misuse of EXXON Credit Card

During our audit period, IPACHI was billed \$6,874 for charges made against its EXXON credit card.

We are questioning the entire amount of \$6,874 of charges incurred by the Executive Director. We determined that \$5,904 of the charges were incurred in and around the local metropolitan District of Columbia area. Also, charges were made in Florida, North Carolina, South Carolina, Georgia, Virginia, New Mexico, New Jersey and Massachusetts.

All of the charges were incurred by the Executive Director without any explanation as to their relationship to the normal business operation of IPACHI. The documentation that we reviewed for the credit card does not support the expenditures. In an interview the Executive Director indicated that she did in fact use the EXXON card for personal use. She indicated that some of the members of the Board approved her use of the card, although it was not approved formally. She indicated that she did this because she was not provided a car like the prior Executive Director.

Checks Issued by Executive Director to Herself

The Executive Director issued four IPACHI checks to herself totaling \$7,724. We are questioning the entire amount of these checks.

One check of \$1,750 was drawn against the payroll account in August 1994. The Executive Director's signature was the sole authorizing signature on this check. We did not find any documentation to support this payment. We did note, however, that the Executive Director received her regular paycheck for this period.

The Executive Director issued three other checks to herself for which she was the sole authorizing official. All of the checks were drawn against the operations account. On July 6, 1995, she issued a check to herself in the amount of \$1,987. One day later on July 7, 1995, she issued another check to herself in the same amount. On August 1, 1995, she issued another check to herself in the amount of \$2,000. This was the last check drawn against IPACHI accounts. Neither IPACHI records nor the checks indicate the basis for the three payments, although we did note that the amounts of two of the checks were the same as her normal net paycheck. We are questioning these expenditures not only because there was no personnel activity reports or any other documentation to support them (if indeed the checks represented salary payments), but because of the fact that other employees were no longer being paid at the time the checks were issued, and services were not being provided. Therefore, the Federal grants received no benefit from these charges.

**Reimbursements for Non-Grant
Related Expenditures**

The IPACHI reimbursed the Executive Director \$2,666 for payments that she made using personal funds. In our opinion, the services obtained were not grant-related and are unallowable for Federal reimbursement. We are questioning the \$2,666.

As previously stated throughout this report, a cost is allocable to a Federal grant in accordance with the relative benefits received. Furthermore, OMB Circular A-122, Attachment B, Paragraph 12 states that cost of amusement, diversion, social activities, ceremonials and cost relating thereto, such as meals, lodging, rentals, transportation and gratuities are unallowable. The circular also states that cost of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable.

Based on our review of IPACHI documentation supporting expenditures, we identified 16 checks issued to the Executive Director on the basis of her statements that she should be reimbursed by IPACHI for purchases that she made, or fees she paid, using her own funds. Although there was documentation to support that the Executive Director made the purchases, this practice of using personal funds and then obtaining reimbursement from IPACHI is another example of poor internal control. Furthermore, the documentation that we found did not support the relationship between the purchases and grant-related activities, and in some instances, such as those involving liquor and entertainment-related purchases, the charges are simply unallowable. The \$2,666 consists of:

- ☞ one check of \$1,250 cosigned by the Executive Director reimbursing her for a payment to a contractor for fund raising/computer services. The documentation supporting the payment does not state what the nature of the contractor's work entailed, or how it benefitted the Federal grants.
- ☞ four checks totaling \$470, three of which were cosigned by the Executive Director reimbursing her for non-sufficient funds fees she incurred because IPACHI checks were dishonored by its bank. The Federal Government should not share in the cost incurred by an employee of a grantee who failed to ensure adequate funds are available to meet its financial obligations.
- ☞ one check of \$401 for four tickets purchased by the Executive Director for an International Bazaar held at the residence of the Korean Ambassador. The documentation shows that four tickets to the event were purchased at a total of \$300. Those attending were the Executive Director, her husband the Director of Publications, and two unidentified individuals. A handwritten note attached to the "Check Request Form" states that she should be reimbursed for the

tickets. There was no explanation of how this Bazaar was grant related, why IPACHI should pay \$225 for the tickets of her husband or the two unidentified persons, or what the other \$101 was for.

- ☞ seven checks totaling \$278, all of which were cosigned by the Executive Director reimbursing her for purchases of liquor and other refreshments purchased by the Executive Director for office parties and luncheons.
- ☞ two checks totaling \$180, which were cosigned by the Executive Director reimbursing her for wiring her funds by Western Union to an individual in Massachusetts. The employee records do not list the individual as an employee of IPACHI. Supporting documentation for the wire transfer has a message that was marked over stating "this should help through the weekend."
- ☞ One check of \$87 reimbursing the Executive Director for the purchase of toys for the annual IPACHI Christmas toy giveaway.

Other Unallowable Travel Cost

We are questioning \$1,567 of travel charges made by the Executive Director which were not associated with her use of the AMEX credit card. These questioned

cost consists of:

- ☞ \$1,331 reimbursed the Executive Director upon her return from a trip to Phoenix in 1994. She claimed \$1,176 for mileage; \$105 for gas and tolls; and \$50 for an oil change. We are questioning the entire amount because she had charged \$521 for an airline ticket on the AMEX credit card and this was the most economical means of travel. We noted that the Executive Director claimed expenses for gas and an oil change which are covered in the mileage which she also claimed.
- ☞ \$86 reimbursed the Executive Director for a trip to New York in 1994. This consisted of \$76 for 2 days per diem advanced to her that she did not incur (left the conference early according to available documentation) and \$10 for parking and a cab in the District of Columbia.
- ☞ \$117 reimbursed the Executive Director for a trip to Philadelphia in 1994. This consisted of \$85 for mileage where records show she took a train; and \$32 for an extra day's per diem when the records do not support her being in Philadelphia overnight.
- ☞ \$33 reimbursed the Executive Director after her trip to Detroit for an Art Auction meeting. She was accompanied on the trip by a person who was not an IPACHI employee, and the trip was not grant related.

Unpaid Salary Advances

The Executive Director authorized herself four salary advances totaling \$10,700 during the period of our audit. She agreed to repay the advances through payroll deductions, however, only \$5,300 was repaid through the deductions as shown in the following table. She subsequently repaid \$4,711 by personal check. We are questioning the \$689 that was unpaid at the time of our audit.

SALARY ADVANCES TO EXECUTIVE DIRECTOR				
Date of Advance	Amount	Agreed to Repayment Per Pay Period	Paid as Agreed	Not Paid
September 1993	\$ 2,500	\$500	\$ 0	\$2,500
January 1994	500	250	500	
February 1994	6,500	250	4,800	2,900
June 1994	1,200	200		
Total	\$10,700		\$5,300	\$5,400

As can be seen from the above table, IPACHI payroll records show that no payroll deductions were made from the Executive Director's salary to repay the September 1993 salary advance. In only one instance, (the January 1994 advance) did the Executive Director make the repayments as agreed. With regard to the February 1994 advance of \$6,500, the Executive Director had deductions of \$250 taken from eight of her paychecks for a total of \$2,000. While still owing \$4,500 on that advance, she authorized the June 1994 advance of another \$1,200. Rather than increasing her deductions to take the additional advance into account, she actually reduced her total salary deduction to \$200. This amount was deducted from 14 paychecks for a total of \$2,800. Deductions were halted as of the December 30, 1994 pay period although the Executive Director owed \$2,900 on the last two advances, and \$2,500 on her first advance, for a total of \$5,400.

As stated earlier, on January 19, 1995, the Executive Director wrote a personal check to IPACHI for \$20,000. This was in response to the financial consultant's report that she owed IPACHI \$15,289 for personal use of the IPACHI AMEX card. According to the IPACHI accounting assistant, the difference between the \$20,000 and the \$15,289, or \$4,711 was to be applied against her outstanding salary advances.

We traced this check to an IPACHI bank deposit. The check cleared the bank. Therefore, based on this and the accounting assistant's statement, we are crediting the \$4,711 against the outstanding salary advance amount of \$5,400. We are, therefore, questioning the unpaid balance of \$689.

RETIREMENT PACKAGE FOR PRIOR EXECUTIVE DIRECTOR

We are questioning \$283,488 which represents benefits received by the prior Executive Director under a retirement package that was prepared specifically for her. In our opinion, the retirement package does not meet the requirements of OMB Circular A-122, in that: (1) it was not granted in accordance with established written organization policies; (2) it was not necessary for the operation of the organization or the performance of the Federal grants; (3) it was not an arms length transaction; and (4) it was not a prudent action of the Board to approve such a plan.

The OMB Circular A-122 contains several provisions relating to employee benefit packages. Some of the more pertinent ones are as follows:

- Attachment B, Paragraph f(2) states fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workman's compensation insurance, pension plan cost, and the like are allowable provided such benefits are granted in accordance with established written organization policies.
- Attachment A, Paragraph 3 states in determining the reasonableness of a given cost, consideration shall be given to:
 - whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award;
 - the restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award; and
 - whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Government.

The Retirement Package

Minutes of the Board meetings indicate that sometime prior to April 1990, there were discussions about financing a retirement package for the prior Executive Director. While these discussions were occurring the prior Executive Director was also one of three officers of the Board--she was the Secretary to the Board. At no time either prior to April 1990, or anytime thereafter did IPACHI have written organizational policies on employee retirement. Nevertheless, the Board determined that cash was available for the retirement package, and received advice from various CPA firms that the available funds could be used to pay for the

package if they were derived from "fixed price" contracts, and therefore, could be construed as being "unrestricted." The Board concluded that the funds were "unrestricted" and invited various financial consultants to make presentations for the establishment of the retirement plan for the prior Executive Director.

On July 26, 1990, a consultant group represented by the individual (identified in this report as the Executive Director) who eventually succeeded the prior Executive Director in that position, made a presentation to the Board. On October 4, 1990, the same individual presented the Board with a report of her plans for the retirement package. At the time of this presentation, records indicate that this individual was already employed by IPACHI as a consultant. The Board approved the report and instructed her to "legalize" the document, which was accomplished through the use of the legal consultant. On November 1, 1990, the prior Executive Director recommended to the Board that this individual succeed her as Executive Director upon her retirement. The Board approved this recommendation. The prior Executive Director retired at the end of 1990 and the individual was appointed Acting Executive Director effective January 2, 1991 (she eventually was appointed Executive Director by the Board in November 1991 based on the recommendation of the prior Executive Director who, at that time, was the Secretary to the Board).

During a 90-day period ended March 31, 1991, the prior Executive Director continued to be employed by IPACHI, reportedly to assist in an orderly transition of leadership. Between April 1, 1991 and June 13, 1991, the prior Executive Director received no payments from IPACHI. On June 13, 1991, the Board passed a resolution for a "Retirement Only Salary Continuation Plan" in order to reinstitute payments to the prior Executive Director. The payments were made retroactive to April 1, 1991.

It was not until February 6, 1992, that the final legal document outlining the provisions of the retirement package was presented to the Board. The Board approved and retroactively authorized an implementation date of April 1, 1991. The following table shows the terms of the retirement package and the amount received by the prior Executive Director.

PRIOR EXECUTIVE DIRECTOR'S RETIREMENT PACKAGE		
Plan	Terms of the Plan	Amount Received
Salary Continuation	\$50,000 per year for 5 years beginning April 1, 1991 payable in equal bi-weekly payments of \$1,923.	\$191,392 in salary payments made from June 5, 1991 (retroactive to April 1991) through May 1995, while she was not an employee.
Lump Sum Payment	\$280,000 lump sum payment to purchase a retirement annuity.	\$77,583 lump sum payment made in January 1993. She received \$50,000 and IPACHI paid \$27,583 in taxes relating to the lump sum.
Automobile	Transfer of title to a 1987 Pontiac.	\$4,148 was the value of vehicle whose title was transferred on March 12, 1991. Vehicle was purchased for her use while employed by IPACHI.
Health Insurance Benefits	Continued at no cost to the prior Executive Director for 5 years after the retirement date.	\$10,365 in health insurance premiums was paid by IPACHI from April 1, 1991 through July 31, 1995.
Total Benefits Received		\$283,488

Retirement Package Unallowable for Federal Participation

In our opinion, the retirement package developed specifically for the prior Executive Director did not meet several provisions of OMB Circular A-122 as noted below.

The IPACHI did not have an established written policy on pensions.

The prior Executive Director had been employed by IPACHI for about 20 years and had not contributed to an IPACHI sponsored retirement plan. No IPACHI employee either before or after this approval had ever benefitted from a retirement plan. The retirement plan appears to have been initiated not on the basis of established policy, but on the wishes of the prior Executive Director who was preparing to retire.

The retirement package was not necessary for the operation of the organization or the performance of the award.

The IPACHI was established in 1969. It had operated for about 23 years prior to the approval of this retirement package, the first and only package of its kind approved by IPACHI's Board. The Federal grants obviously received no benefit from this package since the prior Executive Director had resigned her position by January 2, 1991, about 13 months prior to the

formal approval of the retirement package, and about 6 months prior to her receiving her first salary continuation check.

The retirement package does not appear to have been an arms length transaction.

The prior Executive Director who was the sole beneficiary of this retirement package was also the Secretary to the Board (one of three Board officers) at the time the package was first discussed and at the time that the package was approved. According to the records that we reviewed, there were 13 Board meetings between April 26, 1990, (this was the first meeting for which we received minutes) and February 6, 1992, when the Board formally approved the retirement package. The minutes show that the prior Executive Director's retirement package was discussed at 12 of the 13 meetings and that she was present at all of the meetings. At the February 6, 1992 meeting, at which time the retirement package was approved, the Board unanimously authorized the retirement package plan. While we cannot state with certainty that the prior Executive Director actually voted as an officer of the Board to approve her own retirement package, we were informed by the Executive Director (a chief architect of the plan) that the prior Executive Director did not recuse herself from the process.

It was not a prudent action of the Board to approve the retirement package.

On October 4, 1990, the Board gave initial approval on the basis that it had "unrestricted" cash derived from "fixed price contracts." We did not audit FY 1990, but we are not aware that IPACHI had fixed price contracts of such magnitude that it would be able to, in effect, make such significant profits on them in order to fund such a generous retirement package. The FY 1990 Financial Statements and Independent Auditor's Report, dated April 30, 1991, made it very clear that funds received from the District of Columbia and the Federal Government "generally require the refund of any unexpended balance upon the completion of the program or activity."

It appears that from the very start of discussions regarding the establishment of this retirement package, IPACHI officials were aware that they were precluded from using Federal funds for this purpose. Otherwise, there would have been no need to determine if available funds were "unrestricted." We noted, however, in response to an inquiry dated March 26, 1991 from HHS concerning the status of the prior Executive Director and any benefits received by her, the Executive Director made no mention of the fact that the Board had on October 4, 1990 given her instructions to have a legalized document in the form of a contract between the Board and the prior Executive Director prepared containing the provisions of the retirement plan. To the contrary, the April 8, 1991 memorandum from the Executive Director states that the prior Executive Director "is without any retirement benefits from IPACHI," although IPACHI was "contemplating the possibility of retaining her as a consultant at some point in the future in some phase of our operation."

Finally there is the question of whether IPACHI could afford the retirement package. During our audit, we interviewed the partner of the CPA firm who performed the OMB Circular A-133 audit at IPACHI for FY 1993. He stated that IPACHI "didn't have the money" to fund this retirement plan. The financial consultant to IPACHI described the plan as "inappropriate" and "robust," adding that he did not think it was proper for a retirement package to be set up for a prior employee after the employee retired.

Taking into account all of the above, we believe that the prior Executive Director's retirement package is not eligible for Federal funds. It is relevant to note two facts. One, at the same meeting in which the Board approved the retirement package, February 6, 1992, the Board heard from its CPA that its cash positioning was worsening. At the same meeting, the Board approved obtaining a short term loan to enable IPACHI to make the lump sum payment to the prior Executive Director. In January 1993, the Executive Director reported that the lump sum payment was made using the line of credit obtained from a local bank. Two, in a little over 3 years after approving the retirement package which resulted in cash payments of \$268,975 and another \$14,513 in other benefits, IPACHI was forced to close its operations. We believe this retirement plan contributed to the closure.

LEGAL FEES PAID TO CORPORATE COUNSEL

The IPACHI contracted with an outside attorney to act as corporate counsel and paid the attorney \$146,069 during FYs 1993 through 1995. We are questioning the entire amount as there was no documentation showing that the services provided by the attorney were grant-related, and therefore, allocable to Federal grants.

The OMB Circular A-122, Attachment B, Paragraph 34 states that cost of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the organization, are allowable. However, the same circular, Attachment A, Part 4(a) states that a cost is allocable to a particular cost objective, such as a Federal grant, in accordance with the relative benefits received. Our review found that IPACHI could neither justify or support the fees paid to its outside legal counsel as program related.

According to the legal representation agreement, the attorney was to provide legal representation in all matters relating to IPACHI's organization and operation including employment matters, contract review, negotiation, drafting defensive and offensive civil litigation, and dispute resolution between IPACHI and its creditors, contractors, and others. Some of these matters, such as employment matters, contract review and dispute resolution between IPACHI and its creditors are not grant-related activities. Drafting defensive and offensive civil litigation could be grant-related, depending on the nature of the litigation.

To determine the type of work performed by the attorney, we reviewed the billing statements that he submitted monthly. We noted that the attorney was on a \$5,000 per month retainer

from October 1, 1992 through December 31, 1992. This retainer fee covered up to 35 hours per month. The attorney was to receive \$150 per hour for those hours in excess of the retainer fee. The agreement was revised effective January 1, 1993. At that time the retainer fee was reduced to \$2,500 for 17 hours of work. The attorney was to be paid \$180 per hour for those hours in excess of the retainer fee.

As shown in the table below, during FYs 1993 through 1995, IPACHI paid the attorney \$146,069 based on billings of \$159,354.

SUMMARY OF LEGAL FEES					
FY	Legal Fees Billed by Counsel				Total Paid
	Retainer	Excess Retainer Fee	Other	Total Billed	
1993	\$40,000	\$ 3,645	\$ 0	\$43,645	\$ 39,840
1994	30,000	50,513	711	81,224	80,526
1995	17,500	16,938	47	34,485	25,703
Total	\$87,500	\$71,096	\$758	\$159,354	\$146,069

We determined that the attorney did not provide any details on the specific work performed to earn the retainer fee in those months where he did not exceed either the 35 hour or the 17 hour limit. In those months where the hours were exceeded, the attorney provided some description of the work for all hours billed, including those claimed under the retainer fee. We reviewed 29 monthly billing statements⁶ that were paid by IPACHI during our audit period. The statements covered 928.75 billable hours as follows:

- 293 hours that represented the retainer fee and for which no work descriptions were provided.
- 635.75 hours for which work descriptions were provided.

We reviewed the work descriptions which supported the 635.75 hours and found that less than 1/2 hour appeared to be grant-related. The majority of the work performed by the attorney, as described on his billing statements, fell into two major categories, neither of which were grant related.

⁶ Billing statements for February and March 1995 were missing from the files but we were able to reconstruct the amounts billed based on the January and April 1995 statements.

- ☛ 391 hours (62 percent) were spent on four cases involving three former employees who were suing IPACHI for alleged irregularities and discrimination.
- ☛ 106.5 hours (17 percent) were spent on a dispute involving the District of Columbia.

The remainder of the time was spent on IPACHI internal administrative matters (including time spent on the prior Executive Director's retirement package) and other projects not involving the Federal grants. The results of our review of the attorney's billing statements were corroborated in interviews with six former IPACHI employees, including two attorneys involved in IPACHI's major mission--advocacy for the District of Columbia's developmentally disabled and mentally challenged citizens. The employees stated that they were not aware of any time spent by the attorney on advocacy issues. Since the Federal grants did not directly benefit from the activities of the attorney, we are questioning the legal fees paid to him.

OTHER UNALLOWABLE COST

We identified \$5,656 of expenditures incurred by IPACHI that were unallowable. These expenditures included:

- ☛ \$3,175 for donations and contributions to various groups for fund raising, retirement parties, banquets and games. The OMB Circular A-122, Attachment B, Paragraph 8 states that contributions and donations by the organization to others are unallowable.
- ☛ \$2,481 for expenditures related to farewell parties, paging services, car check up, tickets to an art bazaar, and flowers related to birthdays, funeral condolences, and well wishes. The OMB Circular A-122, Attachment B, Paragraph 12 states that cost of amusement, diversion, social activities, ceremonials, and cost relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable.

We believe that these expenditures are not related to the Federal grants, do not meet the provisions of OMB Circular A-122 and are, therefore, unallowable.

REPORTS REQUIRED BY "HIGH-RISK" STATUS WERE INACCURATE

The requests for reimbursements (SF-270s) that IPACHI was required to send PHS due to its status as a "high-risk" grantee were inaccurate. The IPACHI was required to list cash outlays made against the PAIMI grant for each SF-270 reporting period. The PHS was to reimburse

IPACHI based on the reported expenditures. Our review of four of the five requests for reimbursement submitted by IPACHI showed that some of the outlays that the Executive Director certified to as being made were, in fact, not made.

Background

On December 2, 1994, PHS notified IPACHI that in accordance with the provisions of 45 CFR Part 74, Subpart A, it was being declared a "high-risk" grantee. This declaration resulted in PHS freezing all further PAIMI funding to IPACHI, and requiring IPACHI to submit a SF-270 for reimbursement of actual expenditures made under the grant. The IPACHI submitted five SF-270s requesting a total of \$153,084 for funds used to operate the PAIMI grant for the period October 1, 1994 through May 31, 1995. The PHS reimbursed IPACHI \$127,952, the amount requested on the first four SF-270s. The fifth request for \$25,132 for the period April 19, 1995 through May 31, 1995 was not processed by PHS.

Section 1 of the SF 270 allows for the grantee to indicate the type of payment requested, either advance or reimbursement. Section 8 requires the grantee to fill in the period covered by the request, and Section 9 requires the grantee to estimate the Federal cash outlays to be made during the period. There is also a requirement for the signature of the certifying official. The certification is as follows:

I certify that to the best of my knowledge and belief the data above are correct and that all outlays were made in accordance with the grant conditions or other agreement and that the payment is due and has not been previously requested.

SF-270 Reports Were Inaccurate

Although the SF-270s that we reviewed had a check mark beside the advance type of payment, the December 2, 1994 PHS letter clearly indicated that payments to IPACHI were to be on the reimbursement method. Under this method, IPACHI was to report actual cash outlays made under the PAIMI grant for the reporting period, and certify to their accuracy. The PHS was to review the reports and reimburse IPACHI for the cash outlays.

We reviewed four of the five requests submitted by IPACHI, and signed by the Executive Director. Since we could not, as previously stated in this report, trace individual expenditures to their funding sources, we compared some of the expenditures that the Executive Director certified to as being spent on the PAIMI grant to the total IPACHI expenditures made for the same item of cost during the same period of time. Since payroll checks were prepared under a different system, we excluded all payroll checks from our review.

As shown in the following table, the Executive Director certified that from February 16 through May 31, 1995, IPACHI spent \$67,801, exclusive of payroll cost, under the PAIMI

grant. Our review of all checks issued by IPACHI for the same period showed that \$82,528 was spent on all IPACHI operations (exclusive of payroll), including the PAIMI grant.

COMPARISON OF REPORTED OUTLAYS UNDER THE PAIMI GRANT FOR SELECTED NON-PAYROLL EXPENSES					
Reporting Period	PAIMI Outlays Per SF-270			Actual Total Outlays	Percentage Reported PAIMI Outlays to Total Outlays
	Total	Payroll	Other		
February 16-28	\$ 26,485	\$10,635	\$15,850	\$16,836	94%
March 1-20	30,125	10,635	19,490	12,255	159%
March 21- April 18	25,572	10,635	14,937	22,584	66%
April 19-May 31	25,132	7,608	17,524	30,853	57%
Total	\$107,314	\$39,513	\$67,801	\$82,528	82%

The above table shows that the Executive Director did not report actual cash outlays. While it is theoretically possible that the PAIMI grant could have accounted for the relatively high percentages of cost associated with the overall operations of IPACHI for three of the four reporting periods, it is not possible that the actual cash outlays for the PAIMI grant were 159 percent of IPACHI'S total outlays for the March 1-20 reporting period.

We selected various cost items for further review to determine if the cash outlays reported on the SF-270 for these items under PAIMI at least equaled the total cash outlay for all of IPACHI operations as documented by canceled checks. We found inconsistencies in all four of the reports. The most flagrant inconsistency dealt with rent. During the four reporting periods, the Executive Director certified to a total of \$34,892 in cash outlays for rent charged to the PAIMI grant. We found no rental payments made by IPACHI during those periods under any grant. Had the SF-270 been prepared in accordance with the December 2, 1995 PHS letter, the Executive Director would have reported zero rental cash outlays in all four reporting periods reviewed. We also noted inconsistencies with regard to legal fees (an outlay on one report was not made); health insurance (an outlay on one report was not made); audit fees (outlays on two reports were not made); and parking (outlays on two reports were not made).

A former employee stated in an interview that the cash outlay amounts reported on the SF-270 were not generated from the general ledger but were estimates created by the Executive Director. The amounts were given to the employee by the Executive Director, input into the IPACHI computer system, and sent to PHS.

Based on the financial records and the testimony of the former employee, it is our opinion that the SF-270s certified to by the Executive Director were inaccurate.

CONCLUSIONS AND RECOMMENDATIONS

Our audit showed that IPACHI had incurred unallowable, unreasonable and unallocable cost totaling \$725,009. Of this amount, \$289,796 involved the Executive Director and her husband, the Director of Publications, \$283,488 involved the prior Executive Director, \$146,069 involved outside counsel and \$5,656 related to entertainment or social-related activities and charitable donations.

Based on the accounting records that we obtained through an HHS/OIG subpoena, we were unable to trace individual expenditures to their funding source. As explained previously in this report, we allocated all unallowable cost to all funding sources based on the amount of funds received by IPACHI from each source. Using this methodology, we determined that \$394,947 of the unallowable cost were charged to the grants awarded by HHS and ED.

Aside from the unallowable cost, we found that the SF-270 reports that IPACHI was required to submit to PHS due to it being designated a "high-risk" grantee were inaccurate in that the reports did not reflect actual cash outlays charged to the PAIMI grant. We also found serious internal control weaknesses that permitted the inaccurate reports to be submitted to PHS, and unallowable cost to be incurred, particularly those unallowable costs associated with the Executive Director.

It appears that the Executive Director was permitted to function outside of any normally recognized system of internal controls. She repeatedly and routinely used IPACHI credit card for personal purchases and travel cost, including those of her husband, the Director of Publications. For a long period of time she was the only one responsible for reviewing the AMEX billing statements and identifying her personal usage, and, for a long period of time, no one oversaw her repayments for her personal usage of the credit card. It was not until sometime in January 1995 that the Executive Director was informed by IPACHI's financial consultant of her improper use of the AMEX card and even then she continued her misuse of the credit card.

The IPACHI is no longer in operation and its lack of internal controls is now a moot point. Therefore, we are not making any procedural recommendations for improvement in IPACHI's internal controls. We believe, however, that flagrant internal control weaknesses we noted at IPACHI compel the Federal awarding agencies to ensure that such practices are not occurring at other grantees similar to IPACHI. One example is the misuse of the AMEX credit card by the Executive Director. We noted that the on-site review protocol used by ACF and PHS does not specifically address the use of credit cards by grantee management or the internal controls over the cards. Another example is IPACHI's failure to ensure that its accounting records reconcile to the FSRs.

Because of the crosscutting issues, we recommend that your office:

1. Take appropriate action in recovering \$338,938 of the Department's Federal share of questioned cost from the District of Columbia's DHS consisting of: \$162,066 for ACF; and \$176,872 for PHS -- the remaining \$56,009 is to be recovered by ED.
2. Determine its share of questioned cost attributed to programs funded by DHS. The total amount of questioned cost allocated to DHS was \$258,648.
3. Alert ACF's Administration on Developmental Disabled and PHS' Substance Abuse and Mental Health Administration to have their on-site review teams to focus on the internal control weaknesses identified in this report such as grantee management's use of corporate credit cards and the preparation of FSRs.
4. Seek debarment of the Executive Director.

ALLOCATION OF TOTAL UNALLOWABLE COSTS

Fiscal Year 1993

Expense	Total Unallowables	Federal 45.4%	DHS 48.8%	Other 5.8%
Executive Director/Director of Publications	\$101,264	\$45,974	\$49,417	\$5,873
Retirement Package (1)	212,128	96,306	103,519	12,303
Attorney Fees	39,840	18,087	19,442	2,311
Other Unallowable Costs	1,058	480	517	61
Totals	\$354,290	\$160,847	\$172,895	\$20,548

Fiscal Year 1994

Expense	Total Unallowables	Federal 70.0%	DHS 20.7%	Other 9.3%
Executive Director/Director of Publications	\$117,128	\$81,990	\$24,245	\$10,893
Retirement Package	52,395	36,677	10,845	4,873
Attorney Fees	80,526	56,368	16,669	7,489
Other Unallowable Costs	3,606	2,524	747	335
Totals	\$253,655	\$177,559	\$52,506	\$23,590

Fiscal Year 1995

Expense	Total Unallowables	Federal 48.3%	DHS 28.4%	Other 23.3%
Executive Director/Director of Publications	\$71,404	\$34,488	\$20,279	\$16,637
Retirement Package	18,965	9,160	5,386	4,419
Attorney Fees	25,703	12,414	7,300	5,989
Other Unallowable Costs	992	479	282	231
Totals	\$117,064	\$56,541	\$33,247	\$27,276

Fiscal Years 1993 - 1995

Expense	Total Unallowables	Federal	DHS	Other
Executive Director/Director of Publications	\$289,796	\$162,452	\$93,941	\$33,403
Retirement Package	283,488	142,143	119,750	21,595
Attorney Fees	146,069	86,869	43,411	15,789
Other Unallowable Costs	5,656	3,483	1,546	627
Totals	\$725,009	\$394,947	\$258,648	\$71,414

(1) This amount includes the unallowable costs for Fiscal Years 1991 and 1992.

ALLOCATION OF FEDERAL UNALLOWABLE COSTS

Fiscal Year 1993

Expense	Total Unallowables	ACF 41.79%	PHS 58.21%
Executive Director/Director of Publications	\$45,974	\$19,213	\$26,761
Retirement Package	96,306	40,246	56,060
Attorney Fees	18,087	7,559	10,528
Other Unallowable Costs	480	200	280
Totals	\$160,847	\$67,218	\$93,629

Fiscal Year 1994

Expense	Total Unallowables	ACF 50.74%	PHS 27.83%	Education 21.43%
Executive Director/Director of Publications	\$81,990	\$41,602	\$22,818	\$17,570
Retirement Package	36,677	18,610	10,207	7,860
Attorney Fees	56,368	28,601	15,687	12,080
Other Unallowable Costs	2,524	1,280	703	541
Totals	\$177,559	\$90,093	\$49,415	\$38,051

Fiscal Year 1995

Expense	Total Unallowables	ACF 8.41%	PHS 59.83%	Education 31.76%
Executive Director/Director of Publications	\$34,488	\$2,900	\$20,634	\$10,954
Retirement Package	9,160	770	5,480	2,910
Attorney Fees	12,414	1,044	7,427	3,943
Other Unallowable Costs	479	41	287	151
Totals	\$56,541	\$4,755	\$33,828	\$17,958

Fiscal Years 1993 - 1995

Expense	Total Unallowables	ACF	PHS	Education
Executive Director/Director of Publications	\$162,452	\$63,715	\$70,213	\$28,524
Retirement Package	142,143	59,626	71,747	10,770
Attorney Fees	86,869	37,204	33,642	16,023
Other Unallowable Costs	3,483	1,521	1,270	692
Totals	\$394,947	\$162,066	\$176,872	\$56,009

Unallowable American Express Charges - Fiscal Year 1993

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG

Service Establishment	Description	Amount
P 4225 Connecticut Ave - Texaco	Miscellaneous	437.83
P Blockbuster Video	Video Sales/Rental	8.48
P Bloomingdales	Better Sportswear	134.95
P Bloomingdales	Dresses	285.00
P Bloomingdales	Dresses	(285.00)
P Bloomingdales	Better Sportswear	349.96
P Blue Rdge Mtn Sprt	Sporting Goods/Equip	39.71
P Britches	Apparel Accessories	199.35
P Brookstone	Unique Gifts	103.35
P Caffe Italiano	Food and Beverage	63.00
P Capt George's Sfd Rs	Food and Beverage	65.00
P Chadwick's of Boston	Family Apparel	115.95
P Charles Jourdan	Woman's Shoes	96.34
P China Inn	Food and Beverage	43.00
P China Inn	Food and Beverage	35.32
P China Inn	Food and Beverage	43.00
P China Inn	Food and Beverage	63.00
P China Inn	Food and Beverage	34.00
P Concepts-Hotel Club	Reservation Services	105.00
P Express	Apparel	116.40
P Ferragamo	Clothing/Accessories	172.12
P Hecht Co.	YSL Fragrance	107.06
P Home Decorator	Home Improvements/Acc	101.90
P Horchow Mod	Dresses	73.84
P Horchow Mod	Dresses	(73.84)
P Houlihans	Food and Beverage	37.00
P Houlihans	Food and Beverage	30.00
P Houlihans	Food and Beverage	36.00
P Houlihans	Food and Beverage	50.00
P Knight's LTD Catalog	Mail Order Products	341.95
P Lands End	Clothes Sent	30.00
P Lauriol Plaza	Food and Beverage	37.00
P Lord & Taylor - Washington	Mens Fragrances	95.40
P Lord & Taylor - Washington	Lancome	119.25
P Lord & Taylor - Washington	Passion/Wh. Shoulder	106.00
P Lord & Taylor - Washington	Coolwater/Joop/Hommie	87.45

Identified by Executive Director

Service Establishment	Description	Amount
P Bedford Fair Catalog	Woman's Apparel	194.45
P Bloomingdales	Coats	89.98
P Chadwick's of Boston	Family Apparel	182.75
P Chambers	Mail Order Products	210.60
P Chambers	Mail Order Products	275.11
P China Inn	Food and Beverage	39.00
P China Inn	Food and Beverage	50.00
P China Inn	Food and Beverage	47.00
P China Inn	Food and Beverage	50.00
P Courtyard	Lodging	198.88
P Drilling Ratner	Sporting Equipment	152.64
P Enterprise Rentacar	Car Rental	258.12
P Express	Apparel	90.50
P Georgetown Inn	Hotel Restaurant	130.00
P Houlihans	Food and Beverage	45.00
P Houlihans	Food and Beverage	48.00
P Houlihans	Food and Beverage	36.00
P Houlihans	Food and Beverage	60.00
P Houlihans	Food and Beverage	32.90
P Houlihans	Food and Beverage	33.90
P I. Magnin	Career	194.75
P Lands End	Clothes Sent	38.00
P Lands End	Clothes Sent	128.75
P Latins Hand	French Bunn Tipp	75.21
P Lauriol Plaza	Food and Beverage	37.00
P Lauriol Plaza	Food and Beverage	45.00
P Marshall Field	Jones New York	95.70
P Marshall Field	Oval Room Collection	215.33
P Nordstrom	Shoe Rack	68.15
P Ord Chicago		34.80
P Ord Chicago	Gift Items	144.53
P Raleighs	Mens Wear	795.00
P Raleighs	Mens Wear	41.98
P Raleighs	Mens Wear	205.01
P Spiegel, Inc.	Woman's Together	341.25
P The Gap	Clothing Accessories	113.95

Unallowable American Express Charges - Fiscal Year 1993

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG			Identified by Executive Director		
Service Establishment	Description	Amount	Service Establishment	Description	Amount
P Lord & Taylor - Washington	Waterford	79.50	P Thrifty Car Rental	Car Rental	291.90
P Macy's New Orleans	Sheer Hosiery	38.15	P Victoria's Secret	Intimate Apparel	14.03
P Macy's New Orleans	Men's Underwear	70.85	P Victoria's Secret	Intimate Apparel	14.03
P Macy's Pentagon City	Bridge Handbag	120.18	P Victoria's Secret	Intimate Apparel	204.07
P Neiman Marcus	Silk Square	121.90	P Victoria's Secret	Intimate Apparel	16.83
P Neiman Marcus Catalogue	Stationary	48.40	P Victoria's Secret	Intimate Apparel	37.10
P Neiman Marcus Catalogue	Stationary	154.16	P Victoria's Secret	Intimate Apparel	37.10
P Neiman Marcus Catalogue	Stationary	715.60		Total Personal Charges	<u>5,414.30</u>
P Neiman Marcus Catalogue	Stationary	(21.20)			
P Neiman Marcus Catalogue	Stationary	(14.84)	ED Court of Two Sisters	Food and Beverage	105.39
P Old Town Clothes	Apparel Accessories	78.30			
P Old Town Clothes	Apparel Accessories	76.19		Total Unallowable Charges Identified by Executive Director	<u>5,519.69</u>
P Queenstown Nike	Shoes	193.68			
P Raleighs	Mens Wear	47.70			
P Raleighs	Mens Wear	35.62			
P Saks Fifth Ave	Picone Skirt	167.47			
P Saks Fifth Ave	Men's Hosiery	64.70			
P Saks Fifth Ave	Lauder Fragrances	40.59			
P Saks Fifth Ave	J. Vass Dresses	(156.00)			
P Saks Fifth Ave	Ladies Rainwear	160.50			
P Saks Fifth Ave	J. Vass Dresses	161.50			
P Sequoia	Food and Beverage	130.00			
P Spiegel, Inc.	Catalog Adjustment	(332.43)			
P Spiegel, Inc.	Womans Career Footwear	130.45			
P Spiegel, Inc.	Womans Career Footwear	146.97			
P Spiegel, Inc.	Woman's Together	71.11			
P Spiegel, Inc.	Woman's Together	341.25			
P Spiegel, Inc.	Woman's Together	(73.14)			
P Spiegel, Inc.	Woman's Together	(129.32)			
P Spiegel, Inc.	Woman's Together	(42.29)			
P Spiegel, Inc.	Comfort Shop	152.55			
P Spiegel, Inc.	Woman's Together!	42.29			
P Sunoco Station	Fuel/Auto Services	17.00			
P The New York Palace	Lodging - 2 nights	725.12			
P Ticketmaster	Tickets	72.50			
P Victoria's Secret	Intimate Apparel	(37.10)			

Unallowable American Express Charges - Fiscal Year 1993

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG

Identified by Executive Director

Identified by OIG			Identified by Executive Director		
Service Establishment	Description	Amount	Service Establishment	Description	Amount
P	Victoria's Secret	Intimate Apparel			37.10
P	Victoria's Secret	Intimate Apparel			217.51
P	Victoria's Secret	Catlg Mdse			30.36
P	Victoria's Secret	Catlg Mdse			65.57
P	Victoria's Secret	Intimate Apparel			(106.00)
P	Victoria's Secret	Intimate Apparel			39.28
P	Victoria's Secret	Intimate Apparel			115.49
P	Virginia Theatre	Ticket Jelly's Last Jam			138.00
P	Voorhuis Opticians	Sunglasses			44.52
P	Willow Ridge	Woman's Apparel			147.45
P	Willow Ridge	Woman's Apparel			(84.00)
P	Willow Ridge	Woman's Apparel			(55.00)
	Total Personal Charges				<u>7,392.96</u>
DP	American Airlines	Ticket for Director of Publications			238.00
DP	US Air	Ticket for Director of Publications			200.00
ED	American Airlines	Airline Ticket			238.00
ED	DoubleTree Hotel	Accommodations			145.18
ED	Hyatt Regency	Accommodations			388.86
ED	Marriott Hotels	Accommodations			277.93
ED	New Orleans Hilton	Restaurant			94.00
ED	New Orleans Hilton	Restaurant			19.00
ED	O'Hare Hilton	Accommodations			184.14
ED	Panda Riverview	Food and Beverage			41.00
ED	Vera Cruz Restaurant	Food and Beverage			28.70
	Total Travel Charges				<u>1,854.81</u>
	Total Unallowable Charges Identified by OIG				<u>9,247.77</u>
	Combined Unallowable Charges				14,767.46
	Less: Payments by Executive Director				<u>1,578.82</u>
	Total Unpaid American Express Charges				<u>13,188.64</u>

Unallowable American Express Charges - Fiscal Year 1994

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG

Service Establishment	Description	Amount
P Blossoms	Food and Beverage	26.00
P Chadwick's of Boston	Family Apparel	19.00
P China Rugs & Flooring	Floor/Wall Covering/Acc	309.32
P Courtyard Club Fee	Membership Fees	15.00
P Houlihans	Food and Beverage	120.00
P Kay's Jewelers	Jewelry	846.82
P Myron Manufacturing	Business Gifts	824.62
P Nordstrom	Mens Furnishing	193.33
P Nordstrom	Small Leather	260.40
P Nordstrom	Jewelry	298.87
P Radio Shack	Electronics/Appliance	118.84
P Shanghai Garden	Food and Beverage	16.00
P Shanghai Garden	Food and Beverage	27.00
P Society for NPO	Membership Fees	95.00
Total Personal Charges		<u>3,170.20</u>

DP US Air	Ticket for Director of Publications	266.00
DP United Airlines	Ticket for Director of Publications	306.00
DP United Airlines	Ticket for Director of Publications	261.00
ED Newport Islander	Accomodations/Movies/Food	223.55
ED Mobil Oil	Gas	18.50
ED Sunoco	Auto Services/Fuel	19.15
ED Yesterdays	Food and Beverage	100.00
ED Great American Pub	Food and Beverage	45.58
ED Orange Lake CC	Accomodations	137.77
ED Holiday Inn	Accomodations	266.00
ED Holiday Inn	Accomodations	882.25
ED Hilton Suites	Food and Beverage	153.00
ED Circle K	Gas	17.02
ED 28 Truck Port	Gas	15.60
ED Phillips SS	Gas	16.26
ED Hilton Suites	Accomodations	131.32
ED Sheraton Center Hotel	Food and Beverage	155.11
ED Sheraton Hotels	Accomodations	84.53

Identified by Executive Director

Service Establishment	Description	Amount
P African Art Museum	Gift Shop Purchase	33.40
P African Travel	Vacation Package/Tour	2,125.50
P Bombay Palace	Food and Beverage	100.00
P Cactus Cantina	Food and Beverage	55.00
P Cactus Cantina	Food and Beverage	37.75
P Cactus Cantina	Food and Beverage	38.04
P Cactus Cantina	Food and Beverage	32.10
P Cactus Cantina	Food and Beverage	75.00
P Cactus Cantina	Food and Beverage	50.00
P Caffe Italiano	Food and Beverage	72.00
P Caffe Italiano	Food and Beverage	75.00
P Caffe Italiano	Food and Beverage	70.00
P Caffe Italiano	Food and Beverage	76.00
P Capital Centre	Entertainment Tickets	60.00
P Chadwick's of Boston	Family Apparel	(19.00)
P China Inn	Food and Beverage	34.62
P China Inn	Food and Beverage	50.00
P China Inn	Food and Beverage	50.00
P China Inn	Food and Beverage	41.00
P China Inn	Food and Beverage	34.45
P China Inn	Food and Beverage	60.00
P China Inn	Food and Beverage	65.00
P China Inn	Food and Beverage	45.00
P China Inn	Food and Beverage	45.00
P Circuit City	Electronics/Appliances	52.22
P Clarion Suites	Hotel	151.38
P College Park Sports	Sporting Goods/Equipment	78.74
P Cripple Creek	Apparel/Accessories	88.19
P D&B	Med Kilty	69.31
P D&B	Med Kilty	45.00
P D&B	Med Kilty	45.00
P Dr. RS Solomon	Eye Exams/Eyecare	45.00
P Drilling Ratner	Sporting Equip/Access	210.23
P Exxon	Fuel/Misc	19.85
P Georgia Brown	Food and Beverage	125.00

Unallowable American Express Charges - Fiscal Year 1994

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG

Service Establishment	Description	Amount
ED United Airlines	Airline Ticket	261.00
ED Embassy Suites	Accommodations	389.08
ED Embassy Suites	Accommodations	258.27
ED Dollar Rent A Car	Car Rental	279.88
ED 23 W Wolfensberger	Miscellaneous	21.21
ED Embassy Suites	Lodgenet Movies	8.22
Total Travel Charges		<u>4,316.30</u>
Total Unallowable Charges Identified by OIG		7,486.50
Combined Unallowable Charges		23,374.71
Less: Payments by Executive Director		<u>4,627.84</u>
Total Unpaid American Express Charges		<u>18,746.87</u>

Identified by Executive Director

Service Establishment	Description	Amount
P German Service CTR	Auto Repair/Parts	242.55
P Great Western Boot	Shoes	52.98
P He-ro Group Outlet	Clothing/Accessories	261.24
P Hecht Co.	Towels	78.99
P Holiday Inn - Silver Spring	Hotel	77.28
P Home Shoppe LTD	Gift Items	39.80
P Horchow Collection	Linen Trousers	78.95
P Horchow Collection	Military Jacket	135.00
P Houlihans	Food and Beverage	32.90
P Houlihans	Food and Beverage	36.00
P Houlihans	Food and Beverage	47.00
P International Auto Care	Auto Care	990.48
P International Auto Care	Auto Care	567.14
P J.Crew	Apparel	436.80
P JCPenny Co.	Dia/Wed Rngs	634.94
P Jos A Bank Clothier	Apparel/Accessories	219.04
P Lands End	Clothes Sent	72.45
P Lauriol Plaza	Food and Beverage	70.00
P Lauriol Plaza	Food and Beverage	70.00
P Lenscrafters	Eyewear	133.95
P Loews Annapolis	Hotel	36.31
P Loews Annapolis Hotel	Restaurant	140.00
P Luigi's RSTR	Food and Beverage	70.00
P Macy's	Vacuum Cleaners	312.46
P Macy's Cumberland	Jewelry	88.20
P Mathison Glass	Glass Sales	200.00
P Museum Modern Art	Gift Items	149.16
P Nordstrom	Mens Furnishing	72.11
P Nordstrom	Rack Womens Sep	310.67
P Nordstrom	Brass Plum Shoe	83.44
P Nordstrom	Mens Dress Shoe	339.63
P Nordstrom	Mens Furnishing	31.35
P Nordstrom	Rack Woman's Sp	141.57
P Penske Trk Lsg	Vehicle Usage	94.66
P Pier 1	Import Merchandise	21.70
P Pier 1	Import Merchandise	100.66

Unallowable American Express Charges - Fiscal Year 1994

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG			Identified by Executive Director		
Service Establishment	Description	Amount	Service Establishment	Description	Amount
			P Quality Inn - Cherry	Knoxville	45.30
			P S&R Art Supply	Art Supply	135.28
			P Saks Fifth Ave	Ladies Shoes	208.58
			P Santa Fe East, Inc.	Food and Beverage	74.00
			P Smith & Hawken	Gift Items	133.75
			P Spiegel, Inc	Kitchen Decor/Appliance	365.06
			P Spiegel, Inc.	Bath Shop	190.46
			P Spiegel, Inc.	Women's Apart Apparel	(77.97)
			P Spiegel, Inc.	Woman's Apart Apparel	24.59
			P Spiegel, Inc.	Womens Career Footwear	36.50
			P Spiegel, Inc.	Womens Better Footwear	49.99
			P Spiegel, Inc.	Womens Better Footwear	57.02
			P Spiegel, Inc.	Women's Together	58.60
			P Spiegel, Inc.	Womens Career Footwear	96.60
			P Spiegel, Inc.	Women's Apart Apparel	156.97
			P Spiegel, Inc.	Women's Suits	292.44
			P Spiegel, Inc.	Women's Together	(50.03)
			P Spiegel, Inc.	Womens Career Footwear	(30.45)
			P Spiegel, Inc.	Womens Career Footwear	36.50
			P Spiegel, Inc.	Best of Europe	114.20
			P Spiegel, Inc.	Women's Suits	(168.75)
			P Spiegel, Inc.	Womens Better Footwear	(47.49)
			P Spiegel, Inc.	Womens Career Footwear	32.95
			P Spiegel, Inc.	Woman's Apart Apparel	(148.40)
			P Sun Shade 29	Sunglasses & Accessories	230.67
			P Texaco	Miscellaneous	38.11
			P Willard Intercontinental	Restaurant	200.00
			P Woodward & Lothrop	Bras	(15.54)
			P Woodward & Lothrop	Blackberry	38.16
			P Woodward & Lothrop	Infant Accessories-Gift	42.37
			P Woodward & Lothrop	Womens Comfort Casuals	44.52
			P Woodward & Lothrop	Bras	91.85
			P Woodward & Lothrop	Body Shapers/Lingerie	86.50
			P Woodward & Lothrop	Sport Casual Shoes	141.51
			Total Personal Charges		<u>13,189.04</u>

Unallowable American Express Charges - Fiscal Year 1994

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG

Identified by Executive Director

Service Establishment	Description	Amount
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Service Establishment	Description	Amount
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ED Lee's Lakeside	Food and Beverage	100.00
ED Orange Lake CC	Accomodations	144.38
ED Orange Lake CC	Accomodations	1,167.23
ED Dollar Rent A Car	Car Rental	279.60
ED Moviebar	Video Sales/Rental	6.31
ED Moviebar	Video Sales/Rental	6.31
ED CourtYard	Accomodations	75.82
ED Residence Inn	Accomodations	159.86
ED CourtYard	Accomodations	86.37
ED Ave Plza LTD	Accomodations	175.45
ED Court of Two Sisters	Food and Beverage	168.00
ED Hil-Stetson	Food and Beverage	86.00
ED Mick's Bennett Street	Food and Beverage	40.00
ED The Phoenician	Food and Beverage	175.00
ED China Terrace	Food and Beverage	28.84
Total Travel Charges		<u>2,699.17</u>

Total Unallowable Charges Identified by Executive Director 15,888.21

Unallowable American Express Charges - Fiscal Year 1995

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG

Identified by Executive Director

Service Establishment	Description	Amount
P ATI Communications	Cellular Phone	208.95
P ATI Communications	Cellular Phone	280.35
P ATI Communications	Cellular Phone	(208.95)
P Bloomingdales	Bridge Sportswear	792.80
P Bloomingdales	Shoes	(167.94)
P Bloomingdales	Dresses	(104.97)
P Bloomingdales	Accessories	37.80
P Bloomingdales	Bridge Sportswear	(1,028.82)
P Cactus Catina	Food and Beverage	95.00
P Frontage Catalog	Household Items	291.79
P Frontage Catalog	Household Items	41.96
P Gevalia Kaffe Imports	Food/Fruit/Gourmet	60.45
P Gina's	General Merchandise	313.44
P Goler Fine Imported Shoes	Men's/Women's Shoes/Acc	502.03
P Grand Hyatt	Food and Beverage	45.00
P Harrys Haberdashery	Apparel/Accessories	412.25
P Horchow Collection	46PC G/A Intervale Flat	239.80
P Horchow Collection	S/4 Tallia Gold Wine Gl	275.82
P Horchow Collection	Blk Leather Beauty Case	176.85
P Horchow Collection	Extended Payment Plan	555.24
P Marriott Hotels	Gift Shop	45.36
P Neiman Marcus	Silk Waffle Tunic	177.48
P Neiman Marcus Mail	Silk Waffle Tunic	(102.34)
P Neiman Marcus Mail	Silk Waffle Skirt	(75.14)
P Pleasant Peasant	Food and Beverage	68.00
P Resort Condos Intl	Membership Fees/Acc	246.00
P Saks Fifth Ave	Ladies' Loungewear	(152.68)
P Saks Fifth Ave	Ladies' Sportswear	(132.66)
P Saks Fifth Ave	Ladies' Sportswear	132.66
P Saks Fifth Ave	Ladies' Loungewear	152.68
P Spiegel, Inc.	Wide Croco Blt	42.94
P The J Peterman Co.	Softgoods	920.90
P The J Peterman Co.	Softgoods	(226.00)
P The J Peterman Co.	Softgoods	68.00
P The Original Trading Post	Gift Items	311.24

Service Establishment	Description	Amount
P AAA Dues	Membership Dues	66.00
P American Cafe	Food and Beverage	20.00
P Bloomingdales	Handbags	52.47
P Bloomingdales	Shoes	83.97
P Bloomingdales	Dresses	104.97
P Bloomingdales	Better Sportswear	104.97
P Bloomingdales	Foundations	197.95
P Bloomingdales	Shoes	205.74
P Bloomingdales	Coats	293.97
P Burberry's LTD	Mens/Ladies/Apparel/Acc	474.82
P China Terrace	Food and Beverage	28.84
P Courtyard - Virginia Beach	Lodging	48.40
P Crazy Shirts	Apparel/Accessories	452.60
P D&B	Med Kilty	45.00
P D&B	Med Kilty	45.00
P Doubletree Hotels - Arlington	Lodging	66.26
P Dr. Joseph Baptiste	Medical Service	32.00
P Dr. Joseph Baptiste	Medical Service	52.00
P Gardener's Eden	Mail Order Products	43.29
P Gardener's Eden	Mail Order Products	86.58
P Gart Bros	Sporting Goods	263.86
P Hall's Crown Center	Miscellaneous	375.00
P Home Depot	Building Supplies	106.19
P Horchow/EPP	Apparel/Acc/Gifts	555.25
P Horchow/EPP	Apparel/Acc/Gifts	555.25
P Horchow/EPP	Apparel/Acc/Gifts	555.25
P Horchow/EPP	Apparel/Acc/Gifts	555.24
P Hunan Delight	Food and Beverage	33.00
P Improvements	Home Prod	383.27
P Lew Magram Catalog	Womens Fasion Apparel	94.77
P Neiman Marcus Mail	250/Square Mono Labels	24.08
P Neiman Marcus Mail	Monogram Wardrobe	43.28
P Nordstrom	Swim/Resort Wear	66.88
P Nordstrom	Pov Liz Claibor	215.27
P Nordstrom	Salon Shoes	292.55

Unallowable American Express Charges - Fiscal Year 1995

P - Personal Related Charges

ED - Executive Director Travel Related Charges

DP - Director of Publications Travel Related Charges

Identified by OIG

Service Establishment	Description	Amount
P Trifles	S/2 Gold Tassel Candles	(26.90)
P Trifles	Ivy Tumbler	14.50
P Trifles	S/2 Gold Tassel Candles	26.90
P Trifles	Ivy Bath Towel	214.75
P Voice Powered Technology	Electronic Equipment	264.90
Total Personal Charges		<u>4,789.44</u>
DP United Airlines	Ticket for Director of Publications	329.00
DP United Airlines	Ticket for Director of Publications	212.00
DP United Airlines	Ticket for Director of Publications	345.00
ED United Airlines	Airline Ticket	329.00
ED Park Oakland Hotel	Accommodations	273.82
ED Kelly's Santa Fe	Liquor/Beverage/Snacks	135.43
ED Coyote Cafe LTD	Food and Beverage	149.11
ED Pasqual's	Food and Beverage	75.00
ED Avis Rent-A-Car	Car Rental	405.19
ED United Airlines	Airline Ticket	212.00
ED SouthWest Airlines	Airline Ticket	368.00
ED SouthWest Airlines	Airline Ticket	368.00
ED United Airlines	Airline Ticket	345.00
Total Travel Charges		<u>3,546.55</u>
Total Unallowable Charges Identified by OIG		<u>8,335.99</u>
Combined Unallowable Charges		16,472.45
Less: Payments by Executive Director		<u>16,044.69</u>
Total Unpaid American Express Charges		<u>427.76</u>

Identified by Executive Director

Service Establishment	Description	Amount
P Nordstrom	Pov Liz Claibor	376.20
P Nordstrom	Salon Shoes	134.70
P Nordstrom	Jewelry	230.95
P Nordstrom	Salon Shoes	(134.70)
P Ristorante Primavera	Food and Beverage	110.00
P Sak's Fifth Ave	Men's Accessory	68.00
P Saks Fifth Ave	Ladies Shoes	102.66
P Spiegel, Inc	Stretch Trouser	43.79
P Spiegel, Inc	Stretch Trouser	48.25
P Spiegel, Inc.	Stretch Trouser	(43.99)
P TSA	Sporting Goods	99.63
P Venice Gourmet	Gourmet Foods	199.00
P Vicino Rist Italiano	Food and Beverage	45.00
P Vicino Rist Italiano	Food and Beverage	46.00
P Vicino Rist Italiano	Food and Beverage	65.00
P Vicino Rist Italiano	Food and Beverage	52.00
Total Personal Charges		<u>8,066.46</u>
ED Horizons	Food and Beverage	70.00
Total Unallowable Charges Identified by Executive Director		<u>8,136.46</u>