



DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES
150 S. INDEPENDENCE MALL WEST
SUITE 316
PHILADELPHIA, PENNSYLVANIA 19106-3499

DEC 4 2003

Report Number A-03-02-00373

Ronald Simmons, Ph.D.
President
Us Helping Us, People Into Living, Incorporated
811 L Street SE
Washington, DC 20003

Dear Dr. Simmons:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General final report entitled "*Results of Review of Costs Claimed by Us Helping Us, People Into Living, Incorporated, Washington, DC.*"

The HHS action official named below will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

To facilitate identification, please refer to Report Number A-03-02-00373 in all correspondence relating to this report. If you have any questions or need additional information, please contact James Maiorano of my audit staff at (215) 861-4476.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Virbitsky", with a long horizontal line extending to the right.

Stephen Virbitsky
Regional Inspector General
for Audit Services

Page 2 – Ronald Simmons, Ph.D.

Direct Reply to HHS Action Official:

Joseph E. Salter, Chief
Management Procedures Branch
Management Analysis and Services Office
Centers for Disease Control and Prevention
1600 Clifton Road, N.E., MS E-11
Atlanta, Georgia 30333

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RESULTS OF REVIEW OF COSTS
CLAIMED BY US HELPING US,
PEOPLE INTO LIVING,
INCORPORATED**

WASHINGTON, DC



**DECEMBER 2003
A-03-02-00373**

Office of Inspector General

<http://oig.hhs.gov/>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services, reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the awarding agency will make final determination on these matters.





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DEC 4 2003

Report Number: A-03-02-00373

Ronald Simmons, Ph.D.
President
Us Helping Us, People Into Living, Incorporated
811 L Street SE
Washington, DC 20003

Dear Dr. Simmons:

This final report presents the results of our self-initiated audit at the Us Helping Us (UHU), People Into Living, Incorporated, Washington, DC. The audit was performed as part of a nationwide Office of Inspector General review of HIV/AIDS-related programs and grantees of the Centers for Disease Control and Prevention (CDC). The objective of our audit was to determine whether UHU, an AIDS service organization that provides HIV prevention and support services, had spent CDC funds in accordance with federal cost principles.

UHU needs to improve its financial management system to ensure grant expenses are properly documented and grant funds are used for the intended purpose. We specifically found that UHU:

- Allocated personnel costs to federal grants based on budget estimates because it had not developed a system for allocating salaries and wages to grants based on personnel activity reports for each employee, as required by federal regulations. As a result, UHU had no assurance that salaries and wages allocated to federal grants were based on employees' actual level of effort.
- Charged **\$36,758** in unallowable costs to the grants. Specifically, we questioned \$19,319 in non-salary expenses that were charged directly to the grants because UHU did not follow the terms and conditions of the grants and the federal cost principles outlined in Office of Management and Budget (OMB) Circular A-122. We also questioned \$17,439 for expenses that were charged to grants, but the funds were never paid to vendors.
- Failed to provide sufficient documentation to support **\$8,800** in non-salary expenses charged to the grants.

We recommend that UHU: 1) develop and implement a time and effort reporting system to distribute salaries and wages to federal grants based on after-the-fact personnel activity reports; 2) refund to CDC **\$36,758** in questioned costs that were charged to the grants; 3) develop written policies and procedures to assure that only allowable costs are charged to federal grants; 4) develop internal controls to ensure the proper use and disbursement of federal funds; and 5) provide additional documentation to support expenditures totaling **\$8,800**, or repay the funds to CDC.

UHU responded to a draft of this report on September 17, 2003. Where appropriate, we made changes to the report to reflect additional documentation provided as well as UHU's comments. UHU's comments and the Office of Inspector General's (OIG) response are summarized at the conclusion of the Findings and Recommendations section.

INTRODUCTION

BACKGROUND

Us Helping Us, People Into Living, Incorporated

UHU was founded in 1985 as a non-profit, community-based AIDS service organization dedicated to reducing HIV infection in the African-American community by specializing in HIV prevention and support services for gay, bisexual, and transgender persons. UHU is the only organization in Washington, DC that specializes in HIV/AIDS services of this type.

UHU provides an HIV telephone help line to answer questions about HIV transmission and risk reduction, counseling and testing sites, and general referrals. It also conducts HIV prevention activities via the Internet. The HIV peer educators visit chat rooms to provide HIV education and risk reduction information. UHU provides a series of workshops in private homes using the African American Men's Health Study Curriculum. It provides group psychotherapy facilitated by licensed therapists. Finally, UHU provides case management for HIV-positive individuals to help them secure entitlements and other services such as housing, food, medical care, and substance abuse treatment.

HIV/AIDS Funding for UHU

During the 4-year period ending December 31, 2002, UHU was awarded 10 grants totaling \$3.2 million from CDC and the Washington, D.C. Department of Health (DC DoH). The CDC directly funded three grants totaling \$1,160,024. The CDC indirectly funded the remaining seven grants totaling \$2,067,560 through the DC DoH. The grants funded the majority of UHU's HIV prevention and support services. A description of each grant can be found in Appendix A to this report.

Federal Role in HIV/AIDS Prevention

Within the Department of Health and Human Services, CDC is responsible for administering—in collaboration with community, state, national, and international partners—programs designed to prevent HIV infection, the virus that causes AIDS, and reduce the incidence of HIV-related illness and death. In 1984, CDC began funding grants and cooperative agreements for AIDS Innovative Risk Reduction Programs through which grantees could use federal funds to develop AIDS-related informational and educational materials and programs.

Federal Cost Guidelines for Non-Profit Grantees

The standards and administrative requirements for financial management systems for nonprofit organizations are contained in OMB Circular A-110; cost principles are found in OMB Circular A-122; and program guidance can be found in the Public Health Service (PHS) Grants Policy Statement published by the CDC.

Federal cost principles require recipients of federal grants and contracts to establish financial management systems that provide for:

- Records identifying adequately the source and application of funds for federally-sponsored activities, and
- Written procedures for determining the reasonableness, allocability, and allowability of costs.

In order for costs to be charged to federal grants, the costs must be reasonable, allowable, and allocable. To be allowable under an award, costs must:

- Be reasonable and allocable for the performance of the award,
- Conform to any limitations or exclusions set forth in the cost principles or in the award as to types or amount of cost items, and
- Be adequately documented.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to determine whether UHU had spent CDC funds in accordance with federal cost principles.

Scope

During the period December 28, 1998 through December 31, 2002, UHU received \$1,160,024 in direct CDC funding and an additional \$2,067,560 from CDC, via the DC DoH.

Methodology

To accomplish our objective, we:

- Reviewed a judgmentally selected sample of 23 UHU employees to determine whether their payroll charges were supported by time and effort reports.
- Reviewed a judgmentally selected sample of 109 non-salary expense transactions, totaling \$423,093, charged to the grants.
- Compared UHU accounting information and financial management reports to applicable federal cost principles to determine whether costs charged to the grants were appropriate.
- Assessed UHU's system of internal controls related to its financial management systems.
- Reviewed supporting documentation and interviewed appropriate UHU officials to determine whether the costs were reasonable, necessary and allocable.
- Reviewed the audit report prepared by an independent auditor to comply with OMB Circular A-133 on UHU's calendar year 2000 financial activities.

We performed our fieldwork at the UHU offices in Washington, D.C. and OIG office in Philadelphia, PA during the period March 2002 through May 2003. We conducted our audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

UHU needs to improve its financial management system to ensure grant funds are used for the intended purpose.

We found that UHU:

- Allocated personnel costs to federal grants based on budget estimates because it had not developed a system for allocating salaries and wages to grants based on personnel activity reports for each employee, as required by federal regulations. As a result, UHU had no assurance that salaries and wages allocated to federal grants were based on employees' actual level of effort.
- Charged **\$36,758** in unallowable costs to the grants. Specifically, we questioned **\$19,319** in non-salary expenses that were charged directly to the grants because UHU did not follow the terms and conditions of the grants and the federal cost principles outlined in OMB Circular A-122. UHU also charged **\$17,439** for expenses that were never paid to the vendors.

- Failed to provide sufficient documentation to support expenditures totaling **\$8,800** for non-salary costs charged to the grants.

The following table summarizes the results of our review of UHU costs, by cost element.

Summary of Audit Results

Cost Element	Claimed	Allowed	Questioned	Unresolved ¹
Direct Salaries	\$1,417,015	\$1,417,015		
Fringe Benefits	248,278	248,278		
Consultants	231,580	201,700	22,780	7,100
Capital Equipment	21,802	21,802		
Supplies & Equipment	64,053	63,472	581	
Travel Costs	40,952	40,813	139	
Other Costs	190,573	190,573		
Contractual Costs	47,740	47,740		
Occupancy	85,017	85,017		
Communications	354,737	347,144	7,593	
Client Costs	274,035	266,670	5,665	1,700
Indirect Costs	251,802	251,802		
Total	\$3,227,584	\$3,182,026	\$36,758	\$8,800

Direct Salaries—Better Time and Effort Reporting Needed

Contrary to federal guidelines, UHU did not have a time and effort reporting system in place to properly distribute employee salaries and wages to federal cost reimbursement type awards. UHU’s allocation of personnel costs to federal grants was based on original budget estimates. Although it maintained employee time sheets indicating the number of hours worked for each employee, and salaries charged were supported by time sheets and payroll records, UHU did not have sufficient documentation supporting the allocation of personnel costs to federal grants.

In order for salaries to be chargeable to a federal grant, they must be supported by personnel activity reports. The OMB Circular A-122, Attachment B states that:

- Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports; 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. Reports maintained by non-profit organizations to satisfy the requirements noted above must meet the following standards:

¹ Unresolved costs include costs that are inadequately supported.

- a) The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (*i.e.*, estimates determined before the services are performed) do not qualify as support for charges to awards.
- b) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

UHU time and attendance sheets do not meet the requirements of OMB Circular A-122, because no information is recorded to support or identify the activity or grant project for which the work hours are related. Our review of time and attendance sheets contained in the personnel files for 23 employees, including UHU's Executive Director, disclosed that the sheets only documented whether employees were in attendance or on leave and the actual number of hours worked, but not the activity or grant project for which the work related. Consequently, UHU had no assurance that salaries and wages were allocated to the various grants based on each employee's actual level of time and effort.

Non-Salary Expenses—Unallowable and Unresolved Cost

Our review of non-salary expenses charged to grants showed that UHU claimed **\$36,758** in unallowable costs and **\$8,800** in unresolved costs. The unresolved costs represent items that UHU did not provide sufficient documentation supporting the actual cash expenditure.

Unallowable Costs Total \$36,758

Our review identified \$36,758 in unallowable costs charged to the grants. Such unallowable cost claims may have been identified and avoided if UHU had stronger internal controls over the use and disbursement of federal funds.

➤ ***\$19,319 relate to costs not meeting the terms and conditions of the grant or federal cost principles, examples include:***

- \$8,645 in advertising and public relations costs were charged to the grant, but were for items that were not approved in the grant, specifically:
 - \$4,000 for the sponsorship of Black Pride weekend;
 - \$3,017 for promotional materials such as shirts and coffee mugs;
 - \$1,000 for sound equipment and lighting; and
 - \$628 for a parade banner used during the Black Pride weekend and the Capital Pride Festival.

These items are unallowable because OMB Circular A-122, Attachment B, (1)(f) provides that costs designed solely to promote the organization are considered unallowable advertising and public relations costs.

- ***\$17,439 in costs that were not paid to vendors.*** This amount includes consultant costs and communications expenses. According to the PHS Grants Policy Statement, Section 8, *Post award Administration*, the final Financial Status Report must have no unliquidated obligations and must indicate the exact balance of unobligated funds.

Unresolved Costs Total \$8,800

We identified certain costs about which CDC or the DC DoH needs to make a determination as to their allowability to the grants. These unresolved costs include \$8,800 for claimed expenditures that have not been adequately supported.

Costs Lacking Sufficient Supporting Documentation

UHU did not provide us with sufficient documentation to support **\$8,800** in non-salary expenses charged to the grants. For example:

- \$5,500 claimed in September 2001 for the services of a contracted ‘program evaluator’ consultant. UHU provided a copy of the contract indicating \$5,500 in covered consulting fees and expenses for the period beginning June 1, 2000 and ending September 30, 2000. However, neither a consultant’s invoice or a cancelled check was provided by UHU to support the actual expenditure of funds.

RECOMMENDATIONS

We recommend that UHU:

- 1) Develop and implement a time and effort reporting system to distribute salaries and wages to federal grants based on after-the-fact personnel activity reports.
- 2) Refund to CDC **\$36,758** of questioned costs charged to the grants.
- 3) Develop written policies and procedures to assure that only allowable costs are charged to federal grants.
- 4) Develop internal controls to ensure the proper use and disbursement of federal funds.
- 5) Provide additional documentation to support expenditures totaling **\$8,800**, or repay the funds to CDC.

UHU Comment and OIG Response

UHU responded to a draft of this report on September 17, 2003. UHU stated that it has taken our comments and recommendations under advisement and is attempting to modify its operating procedures, which will strengthen the fiscal management and ensure that grant expenditures are properly documented and used for the intended purposes. UHU’s written comments are included as Appendix B. UHU’s comments and our responses to them are presented in the order in which

they appeared in UHU's letter. We made changes to this final report to reflect additional documentation UHU provided with its response.

I. Allocated Personnel Costs

UHU Comment

UHU stated that time and effort estimates are made at the beginning of the grant period based on the number and type of deliverables required under each funding source, versus dollars available. When a new grant comes on board, UHU will adjust the allocation based on the responsibilities required for the additional services or deliverables. UHU will conduct a time study at the beginning of the grant period, documenting the actual time spent on each grant to the extent possible, in order to substantiate grant time charges, and establish percentages. Thereafter, these percentages will be used until the end of the grant or a change in the program operations.

OIG Response

UHU's proposed corrective action does not fully address our recommendation. UHU should develop a system for allocating salaries and wages to grants based on personnel activity reports for each employee, as required by federal cost principles. Those principles require time and attendance reports that reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards. We suggest that UHU contact its CDC grant monitor and request assistance in this matter.

II. Unallowable Costs

Capital Pride and Black Pride Parades (\$9,468)

UHU Comment

Capital Pride and Black Pride are two community events held annually by and within UHU's target population. UHU stated that OMB Circular A-122, Attachment A, A.2, provide that costs are allowable if they are reasonable for the performance of the award; allocable to a particular cost objective or activity; conform to any limitations or exclusions set forth; and are consistent with policies and procedures applied uniformly to all activities of the organization. UHU officials also stated that the CDC grant monitor was aware of UHU's participation at the parades.

OIG Response

The costs associated with the parades are unallowable because CDC Grant Number 601 did not provide funds for these special events. The costs were for advertising (sweatshirts and coffee mugs with the UHU logo) and parade registration fees that did not benefit the grant. Those expenses were unallowable because OMB Circular A-122, Attachment B, (1)(f) provides that costs designed solely to promote the organization are considered unallowable advertising and

public relations costs. The findings related to the Capital Pride and Black Pride Parades remain unchanged.

Social Activities (\$1,573)

UHU Comment

UHU asserted that the costs associated with the social activities were venue based outreach efforts. Those efforts involved discussion groups, and dissemination of information and educational materials.

OIG Response

The questioned costs included \$200 for tickets to a “Dinner Theater/Dance Extravaganza.” The event was a fundraiser for a church building fund. On June 18, 2002, we met with UHU officials to discuss that expense. UHU officials stated that they agreed that the cost did not benefit the grant. Other costs included \$500 for a Halloween party (disc jockey and catering) and \$873 for an open house reception (food and flowers) for UHU’s clients. These expenses were unallowable because OMB Circular A-122, Attachment B, section 14 states that costs of amusement, diversion, social activities, ceremonials, and costs related thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable.

Advertising (\$300)

UHU Comment

UHU responded that advertisement costs charged to any grant were program specific. A \$300 expenditure charged to CDC Grant Number 601 was for a Down-Low telephone ad on the back cover of a church program, whose attendees were a part of UHU’s target population.

OIG Response

On June 18, 2002, we met with UHU officials to discuss the \$300 advertising expense. UHU officials could not provide us with a copy of the ad. Documentation obtained indicates the ad was placed in a souvenir booklet to support a church building fund. The expense is unallowable because OMB Circular A-122, Attachment B, (1)(f) provides that costs designed solely to promote the organization are considered unallowable advertising and public relations costs.

Excessive Costs Charged to Grants

UHU Comment

UHU stated that it was unable to identify the unallowable charge of \$690 for DC DoH Grant Number 363 in March 2002. Communication costs for that month amounted to \$9.

OIG Response

The unallowable charge occurred in March 2001, not 2002. This was an error on the spreadsheet we provided to UHU. Nevertheless, the vendor's invoice for the communication costs amounted to \$9,175. UHU allocated that expense to 3 different grants and 3 checks to the vendor totaling \$8,485. Therefore, the difference of \$690 is unallowable because UHU did not pay the vendor. This finding remains unchanged.

III. Insufficient Support

UHU Comment

UHU provided the governing contract and payment schedule supporting the accrued expense for \$5,500 in consultant costs that we had questioned. The schedule showed \$12,000 in consultant costs was charged to CDC Grant Number 601. UHU stated that all of the data had been collected; however the consultant did not complete the project. Subsequently, UHU engaged another evaluator to complete the project. According to UHU, the charges for these services have not, and will not be duplicated under the grant.

OIG Response

We questioned the \$5,500 in consulting costs because UHU claimed that amount, but never paid the funds to the consultant. The consulting contract totaled \$12,000, and while UHU charged the full contract amount to the grant it had made payments to the consultant totaling only \$6,500 (check number 3456 for \$1,400 in December 1999 and check number 3823 for \$5,100 in July 2000). UHU submitted a \$5,500 charge to CDC Grant Number 601 for a Program Evaluator in September 2000. This represents the unpaid balance payable to the consultant. However, UHU has yet to pay this balance to the consultant. This finding remains unchanged.

UHU Comment

UHU stated that it paid \$1,700 for client incentives under DC DoH Grant Number 363. UHU's procedure is to make the check payable to the person cashing the check. Once the funds are secured, they are distributed to the program coordinators and assistants, to be paid out at the testing sites. Check number 5329 for \$1,960 was used to reimburse petty cash in the amount of \$260, and thereafter \$1,700 used at testing sites. Signed vouchers show the amounts paid out to the program coordinators. Paid amounts are reported each month in the narrative report.

OIG Response

We questioned \$1,700 because UHU did not provide us with documentation supporting the distribution of those funds to individuals as client return incentives. UHU charged the grant \$1,960 but only provided vouchers totaling \$260. This finding remains unchanged.

To facilitate identification, please refer to report number **A-03-02-00373** in all correspondence relating to this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Virbitsky", with a long horizontal flourish extending to the right.

Stephen Virbitsky
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:

Joseph E. Salter, Chief
Management Procedures Branch
Management Analysis and Services Office
Centers for Disease Control and Prevention
1600 Clifton Road, N.E., MS E-11
Atlanta, Georgia **30333**

APPENDICES

FUNDING RECEIVED BY US HELPING US

Three Direct Grants from CDC

- Grant Number 601 – Gay men of color at risk for HIV infection

FY 2000 – 9/30/99 to 9/29/00	\$233,659
FY 2001 – 9/30/00 to 9/29/01	\$233,659
FY 2002 – 9/30/01 to 9/29/02	<u>\$233,659</u>
	\$700,977

Grant Activities: 1) HIV referral
2) Peer-facilitated multi-session workshops
3) Peer-facilitated discussion groups
4) Community interventions – 800 HIV hotline

- Grant Number 661 – HIV Prevention Programs for Community Based Organization Services

FY 2001 – 7/1/00 to 5/31/01	\$106,330
FY 2002 – 6/1/01 to 5/31/02	<u>\$116,000</u>
	\$222,330

Grant Activities: 1) HIV counseling, testing, and referral (for 200 men)
2) Individual level interventions (for 600 men)
3) Group level interventions – Barbershops (train 30 barbers)
4) Community level interventions – Condom distribution (104,000)
5) Street and community outreach

- Grant Number 610 – Community Based Strategies to Inc. HIV Testing of Persons at High Risk in Communities of Color

FY 2002 – 7/1/01 to 6/30/02	\$236,717
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Grant Activities: 1) Outreach through minority agencies coalition
2) Counseling and testing
3) Referral and linkages with other providers
4) Partner counseling and referral services

TOTAL FUNDING (CDC GRANTS) = \$1,160,024

FUNDING RECEIVED BY US HELPING US

Seven Indirect Grants from CDC through the DC Department of Health (DC DoH)

- Grant Number 361 – HIV Prevention Services for African American (AA) Gay/Bisexual Men and Transgender Individuals

FY 2000 – 3/1/99 to 9/30/00 **\$350,000**

Grant Activities: 1) Psycho-social skills building workshops
2) HIV prevention, counseling, and testing
3) Condom and barriers distribution (awareness)
4) Evaluation program
5) Community forums

- Grant Number 362 – HIV Peer Leadership Development

FY 2001 – 6/1/00 to 12/31/01 **\$398,000**

Grant Activities: 1) HIV prevention, testing, and counseling
2) Psychosocial skills building workshops
3) Condom and barrier distribution (awareness)
4) Evaluation

- Grant Number 363 – HIV Prevention

FY 2002 – 12/31/00 to 3/31/02 **\$190,000**

Grant Activities: 1) HIV counseling and testing services
2) Health communication/public information – community awareness
3) Materials distribution (includes **male** and female condoms)
4) Consumer focus groups and/or advisory groups
5) Referral services
6) Evaluation (prevention)

- Grant Number 391 – HIV Prevention Services for AA Gay/Bisexual Men

FY 2000 – 12/28/98 to 9/30/00 **\$346,560**

Grant Activities: 1) Group level services
2) Community-level services, including condom distribution

- Grant Number 393 – HIV Prevention Program for Gay/Bisexual Men

FY 2001 – 12/31/00 to 11/30/01 **\$220,000**

Grant Activities: 1) Individual prevention counseling and telephone contacts
2) Group sessions including peer education and psycho-education
3) Prevention case management
4) Health communication/public information
5) Referrals
6) Other direct services including condom distribution

- Grant Number 352 – HIV Prevention Program for Transgender Persons *

FY 2002 – 1/1/02 to 12/31/02 **\$100,000**

- Grant Number 364 – HIV Prevention Program for Black Men Seeking Men *

FY 2002 – 12/31/01 to 12/31/02 **\$463,000**

TOTAL FUNDING (DC DoH GRANTS) = \$2,067,560

TOTAL FUNDING (ALL GRANTS) = \$3,227,584

*** Expenses charged to these grants were not sampled.**

**US HELPING US
PEOPLE INTO LIVING**

September 17, 2003

Stephen Virbitsky, Regional Inspector
General for Audit Services
Department of Health & Human Services
Office of Inspector General
Office of Audit Services
150 S. Independence Mall West, Suite 316
Philadelphia, Pa. 19106-3499

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President

Report #: A-03-02-00373

Dear Mr. Virbitsky:

We are responding to your draft report for the Centers for Disease Control (CDC) audit conducted at Us Helping Us, People Into Living, Inc. (UHU).

We have taken your comments and recommendations under advisement and are attempting to modify our operating procedures in ways which will strengthen the fiscal management and ensure that grant expenditures are properly documented and used for the intended purposes.

In responding, we will attempt to address the items questioned and recommended for disallowance as outlined in your report:

- Allocated Personnel Costs - Our organization structure is designed so that employees are either staff or line. We are a service organization which is labor intensive, and for the period you were auditing, we moved from an organization whose executive director as well as all staff were all program oriented, to one with a team of four directors and 17 staff persons still predominantly program oriented. We are program oriented, meaning that the program comes first, and the funding second. All of the services are inter-related and therefore services do overlap. With the exception of the directors, all employees are hired for specific skills, and not funding sources. To be more specific, coordinators are responsible for scheduling, activities such as group meetings and individual services for any and all of the grants, and therefore the services for the grants will be orchestrated together, and the costs allocated respectively. A counseling and testing person, a case manager, or a therapist, on the other hand may only be limited to one grant, which specifically calls for those services. It may appear that the time charges are allocated based on the budget, but time and effort estimates are made at the beginning of the grant period based on the number and type of deliverables required under each funding source, versus dollars available. Similarly, when a new grant comes on board, typically for services already being provided, or other complimentary services, we will adjust the allocation based on the responsibilities required for the additional services or deliverables.

In an effort to address your comments, however, we will conduct a time study at the beginning of the grant period, documenting the actual time spent on each grant to the extent possible, in order to substantiate our grant time charges, and establish percentages. Thereafter, these percentages will be used until the end of the grant or a change in the program operations.

- Unallowable cost

Auditor's Note: Comments deleted because they are no longer relevant.

Capital Pride and Black Pride (\$9,468) – The grant calls for the maintenance of a Telephone Line for information and education on HIV and AIDS. Capital Pride and Black Pride are two community events held annually by and within our target population. In May 2000, we used these venues as well as others to launch the “Down-Low” Telephone Line. The grant monitor for the subject CDC Grant #99091 (601) received reports of our participation and publicity campaign in the quarterly narrative progress reports. Technical reviews of the program have also approved and commented on the effectiveness of our publicity efforts. Government regulations as outlined in OMB Circular A-122, Attachment A, A.2, provide that costs are allowable if they are reasonable for the performance of the award; allocable to a particular cost objective or activity; conform to any limitations or exclusions set forth (did not exceed budget for other costs); and are consistent with policies and procedures applied uniformly to all activities of the organization.

The \$50 expense paid to the Black Pride Public Health Campaign and charged to Grant #1J0048 (363) was mislabeled. It was not a donation, but a fee to set up a table at the event to do testing, the objective of that grant.

Social Activities (\$1,573) – The auditors have recommended these costs involving food and catering be disallowed, however Grants # 9H0067 (361), OH0202 (362), and 99091 (601), all call for venue based outreach efforts. These occasions involve discussions groups and the dissemination of information and educational materials. Attendees at these events are included in our tracking systems for service units delivered and reported on in the narrative reports. Reference is again made to OMB Circular A-122, Attachment A, A.2 for allowance.

3.

Advertising (\$10,830) – Advertisement costs charged to any grant are program specific. A \$300 expenditure charged to CDC Grant #99091(601) was for a Down-Low Telephone ad on the back cover of a church program, whose attendees were a part of our target population.

Auditor's Note: Comments deleted because they are no longer relevant.

Excessive Costs - We are unable to identify the referenced program charge for \$690. Communication costs for Grant #1J0048 (363) for March, 2002 only amounted to \$9, and did not involve Community Marketing. Community Marketing, however designs most of our advertisement, education and promotional materials. Some of our generic pieces which promote multiple programs or programs sponsored by more than one grant may be allocated across the grants. OMB Circular A-122, Attachment A, also allows for cost sharing to relevant programs.

Auditor's Note: Comments deleted because they are no longer relevant.

Insufficient Support

4.

Auditor's Note: Comments deleted because they are no longer relevant.

The governing contract and payment schedule supporting the accrued expense for \$5,500 consultant costs is included herein. All of the data had been collected for that period, however the consultant did not complete the project. UHU has subsequently engaged another evaluator to complete the project. The charges for these services have not, and will not be duplicated under CDC contract #023. (Exhibit #7)

Auditor's Note: Comments deleted because they are no longer relevant.

You have questioned \$1700 paid out for client incentives under HAA grant #1J0048 (363). UHU's procedure is to make the check payable to the person cashing the check. Once the funds are secured, they are distributed to the program coordinators and assistants, to be paid out at the testing sites. Check #5329 for \$1,960 was used to reimburse petty cash in the amount of \$260, and thereafter \$1,700 used at testing sites. Signed vouchers show the amounts subsequently paid out until the funds are exhausted. Paid amounts are reported each month in the month in the narrative report. (Exhibit #10)

Auditor's Note: Comments deleted because they are no longer relevant.

We have reviewed your report and attempted to respond to all of your comments and recommendations. We do not concur with \$70, 729 of those costs questioned and recommended for disallowance as indicated in this response.

Thank you for the extension of time granted.

Sincerely

A handwritten signature in black ink, appearing to read "Ron Simmons", with a stylized flourish at the end.

Ron Simmons, Ph.D.
President