



## Memorandum

OCT 21 2003

Date

Regional Inspector General for Audit Services

From

Subject

Audit Report – Audit of HIV/AIDS Grant Expenditures at the Sexual Minority Youth Assistance League for the Period September 30,2001 through September 29,2002 (Report Number A-03-03-00393)

To

Joseph E. Salter, Chief,  
Management Procedures Branch  
Management Analysis and Services Office  
Centers for Disease Control and Prevention

Attached are two copies of the Department of Health and Human Services, Office of Inspector General's report entitled "Audit of HIV/AIDS Grant Expenditures at the Sexual Minority Youth Assistance League (SMYAL) for the Period September 30,2001 through September 29, 2002." This audit was self-initiated and the audit objectives were to determine whether SMYAL: (1) met grant performance expectations during the period September 30,2001 through September 29,2002 for a grant funded by CDC and (2) was in compliance with grant financial and reporting requirements. Should you have any questions or comments concerning the matters commented on in this report, please contact me or have your staff contact James Maiorano, Audit Manager at 215-861-4476.

To facilitate identification, please refer to Report Number A-03-03-00393 in all correspondence relating to this report.

A handwritten signature in black ink, appearing to read "Stephen Virbitsky", is written over a horizontal line.

Stephen Virbitsky

Attachment



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

**OCT 21 2003**

Report Number: A-03-03-00393

Mr. Bruce Weiss  
Executive Director  
Sexual Minority Youth Assistance League  
410 7<sup>th</sup> Street, SE  
Washington, D.C. 20003-2707

Dear Mr. Weiss:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General's report entitled "Audit of HIV/AIDS Grant Expenditures at the Sexual Minority Youth Assistance League (SMYAL) for the Period September 30,2001 through September 29,2002." This audit was self-initiated and the audit objectives were to determine whether SMYAL: (1) met grant performance expectations during the period September 30,2001 through September 29,2002 for a grant funded by CDC and (2) was in compliance with grant financial and reporting requirements. Should you have any questions or comments concerning the matters commented on in this report, please direct them to the HHS official named below.

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 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 which the Department chooses to exercise (see 45 CFR Part 5).

To facilitate identification, please refer to Report Number A-03-03-00393 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Stephen Virbitsky". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Stephen Virbitsky  
Regional Inspector General  
for Audit Services

Enclosure

**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**

**AUDIT OF HIV/AIDS GRANT  
EXPENDITURES AT THE SEXUAL  
MINORITY YOUTH ASSISTANCE  
LEAGUE FOR THE PERIOD  
SEPTEMBER 30, 2001 THROUGH  
SEPTEMBER 29, 2002**



October 2003  
A-03-03-00393

# *Office of Inspector General*

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

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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:

## *Office of Audit Services*

The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the Department.

## *Office of Evaluation and Inspections*

The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The findings and recommendations contained in the inspections reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs.

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The OIG's Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties. The OI also oversees State Medicaid fraud control units, which investigate and prosecute fraud and patient abuse in the Medicaid program.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. The OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within the Department. The OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops model compliance plans, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

# ***Notices***

**THIS REPORT IS AVAILABLE TO THE PUBLIC  
at <http://oig.hhs.gov/>**

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## **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.





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

**OCT 21 2003**

Report Number: A-03-03-00393

Mr. Bruce Weiss  
Executive Director  
Sexual Minority Youth Assistance League  
410 7<sup>th</sup> Street, SE  
Washington, D.C. 20003-2707

Dear Mr. Weiss:

This final report represents the results of our self-initiated audit at the Sexual Minority Youth Assistance League (SMYAL), Washington, D.C. The audit was performed as part of a nationwide Office of Inspector General review of Human Immunodeficiency Virus (HIV)/Acquired Immune Deficiency Syndrome (AIDS)-related programs and grantees of the Centers for Disease Control and Prevention (CDC). The objectives of our audit were to determine whether SMYAL: (1) met grant performance expectations during the period September 30, 2001 through September 29, 2002 for a grant funded by CDC and (2) was in compliance with grant financial and reporting requirements.

In general, SMYAL has met CDC performance expectations, and was compliant with the grant financial and reporting requirements. We specifically found that:

- SMYAL improved its internal accounting controls during the audit period in three areas: time reporting, cash disbursements and financial policies and procedures. These improvements should help to ensure that grant expenses are properly documented and grant funds are used for the intended purpose.
- SMYAL charged \$1,155 in unallowable costs for advertising buttons and stickers that were not related to the grant.

We are recommending that SMYAL:

- Continue improving its internal accounting controls, internal accounting control awareness and provide effective dates, revision numbers and board approval on its financial policies and procedures, and

- Refund to CDC \$1,155 in unallowable costs that were incurred for advertising buttons and stickers to the grant.

In its response to our draft report, SMYAL concurred with our findings and recommendations.

## **INTRODUCTION**

### **BACKGROUND**

#### **Sexual Minority Youth Assistance League**

SMYAL is a Community Based Organization that received funding under CDC's HIV project grants program and is a 501(c)(3) non-profit youth service agency serving the Washington, D.C. metropolitan area since 1984. Its mission is to support and enhance the self-esteem of minority youth, aged 13 through 21 who are gay, lesbian, bisexual, transgender, or who may be questioning their sexuality, and to increase public awareness and understanding of their issues. It offers a variety of programs for the SMYAL youth, including counseling and support sessions, free HIV outreach and testing, theater groups and youth leadership seminars.

SMYAL trains and coordinates a team of youth outreach workers who travel into communities in Washington, D.C. and suburban Maryland to perform outreach to sexual minority youth. Outreach includes the distribution of safer sex packets, and during that interaction, youth outreach workers engage youth in a brief discussion about HIV prevention.

SMYAL provides health-related services focused on mental health services. Those services include: 1) individual counseling with a clinical social worker or clinical therapist; 2) group counseling with a trained facilitator; and 3) referral services. SMYAL has a theater troupe, Youth Acting Against AIDS that performs skits, plays, and scenarios in public for the purpose of HIV/AIDS education. Troupe members are all SMYAL youth, coordinated by part-time staff.

#### **HIV/AIDS Funding for SMYAL**

During the grant period September 30, 2001 through September 29, 2002, SMYAL was awarded a grant totaling \$400,000 from CDC. However, due to a slow start, SMYAL only spent \$311,090 of grant funds, leaving an unobligated balance of \$88,910.

#### **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 Guidelines for Non-Profit Grantees**

The standards and administrative requirements for financial management systems for non-profit organizations are contained in Office of Management and Budget (OMB) Circular A-110; cost principles are found in OMB Circular A-122; and program guidance published by CDC.

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

- Records that identify 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 meet the following general criteria:

- 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**

### **Objectives**

The audit objectives were to determine whether SMYAL met grant performance expectations and was in compliance with Federal grant financial and reporting requirements.

### **Scope**

During the period September 30, 2001 through September 29, 2002, SMYAL received \$400,000 in direct CDC funding under the Community-Based HIV Prevention Projects.

## **Methodology**

To accomplish our objectives, we:

- Reviewed a judgmentally selected sample of salary and non-salary expense transactions charged to the grant.
- Analyzed applicable laws, regulations, and CDC program guidelines to determine whether SMYAL had an adequate financial management system and whether costs charged to the grant were appropriate.
- Assessed SMYAL's system of internal controls related to its financial management systems.
- Reviewed supporting documentation and interviewed appropriate SMYAL officials to determine whether the costs were reasonable, necessary and allocable.
- Reconciled a sample of personnel costs, which consisted of three SMYAL employees' payroll transactions per month, to payroll records and determined whether the payroll charges were supported by time and effort reports.
- Reviewed a draft copy of SMYAL's OMB Circular A-133 audit report for 2002.
- Discussed the review objectives with CDC officials and reviewed SMYAL's quarterly narrative progress reports filed with CDC.

We performed our fieldwork at the SMYAL offices in Washington, D.C. during the period of June and July 2003. We conducted our audit in accordance with generally accepted government auditing standards. On August 27, 2003, we provided SMYAL with a copy of our draft report. SMYAL's written comments are included as an appendix to this report.

## **FINDINGS AND RECOMMENDATIONS**

SMYAL had generally met its grant reporting and performance expectations, and improved its financial management system during April 2002 by strengthening its internal accounting controls and increasing internal accounting control awareness to ensure grant funds are used for the intended purpose. However, SMYAL charged \$1,155 in unallowable costs for advertising buttons and stickers that were not related to the grant purpose.

SMYAL spent \$311,090 of the \$400,000 total grant award during the period, leaving an unobligated balance of \$88,910. The unallowable costs of \$1,155 were included in the \$311,090. After adjusting for the unallowable costs, the allowable amount of grant expenditures was \$309,935.

### **SMYAL Generally Met its Performance Expectations Under the CDC Grant**

For the period September 30, 2001 through September 29, 2002, SMYAL generally met the performance expectations. Further, CDC program officials apprised us that they are generally satisfied with SMYAL's performance on this grant. However, there was little grant activity for the first 3 months of the grant. SMYAL officials attribute this to a slow start with the grant execution. This resulted in an under spending or unobligated balance of \$88,910 during the grant period. The unobligated balance was not carried forward to the following grant year.

### **SMYAL Improved its Internal Controls During April 2002**

During April 2002, SMYAL improved its internal accounting controls and increased internal accounting control awareness to ensure grant funds were used for the intended purpose. We specifically found that:

- Prior to April 30, 2002, SMYAL's time and effort reporting system did not provide for the allocation of time to different activities including the CDC grant. However, as of April 30, 2002, SMYAL modified its employee timesheets to provide for the allocation of time to different activities as required by OMB Circular A-122.
- Prior to April 15, 2002, SMYAL did not have adequate documentation for cash disbursements to Youth Consultants. Since April 30, 2002, SMYAL implemented a system that provides sufficient documentation to account for and control disbursements of cash to Youth Consultants.
- Prior to 2002, SMYAL did not have written financial policies and procedures. Early in calendar year 2002, SMYAL developed formal written financial policies and procedures. However, there were no effective dates, revision numbers or board approval.

### **SMYAL Charged \$1,155 in Unallowable Costs for Advertising Buttons and Stickers**

Our review of supply expenses identified \$1,155 in unallowable costs to the grant. SMYAL purchased 2,500 small SMYAL advertising buttons and 10,000 "safe zone" stickers with grant funds that were not related to the grant. OMB Circular A-122, Attachment B, (1), c. and f. respectively state:

*The only allowable advertising costs are those which are solely for: ... (2) The procurement of goods and services for the performance of a sponsored award.*

*Unallowable advertising and public relation costs include the following: ... (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs; (4) Costs of advertising and public relations designed solely to promote the organization.*

SMYAL purchased buttons in July 2002 that contained a happy face with SMYAL printed at the top and “a safe place to be yourself” at the bottom and “safe zone” stickers. The buttons and stickers promoted the organization, but did not promote the purpose of the grant, which was the prevention of HIV infection.

We are recommending that SMYAL:

- Continue improving its internal accounting controls, internal accounting control awareness and provide effective dates, revision numbers and board approval on its financial policies and procedures; and
- Refund to CDC \$1,155 in unallowable costs that were incurred for advertising buttons and stickers to the grant.

### **Auditee Response**

SMYAL officials concurred with our findings and stated that they have implemented action plans to address the findings. These include continued use of the internal controls and supervision implemented during the audit period and staff training related to allowable grant expenditures. Also in the action plan was the review and approval of grant expenditures by a financial officer and/or Executive Director, which while important was not included in the audit findings. SMYAL did not address the finding pertaining to the lack of effective dates, revision numbers and board approval on its financial policies and procedures. For the monetary finding, SMYAL plans to use unrestricted funds for advertising buttons and return the \$1,155.

### **Office of Inspector General Comments**

The Office of Inspector General (OIG) believes that the action plans as described should address the audit findings except for the lack of effective dates, revision numbers and board approval on its financial policies and procedures. OIG still believes that adding effective dates, revision numbers and board approval would be beneficial for control and monitoring of the financial policies and procedures.

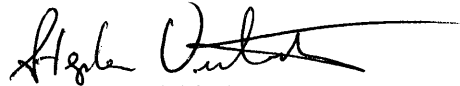
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Sincerely yours,

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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

# APPENDIX

**SEXUAL MINORITY YOUTH ASSISTANCE LEAGUE**

UNITED WAY/CFC 8142

October 10, 2003

Re: Report Number: A-03-03-00393

Mr. Stephen Virbitsky  
Regional Inspector General For Audit Services  
Department of Health and Human Services  
150 S. Independence Mall West  
Suite 316  
Philadelphia, Pennsylvania 19106-3499

Dear Mr. Virbitsky:

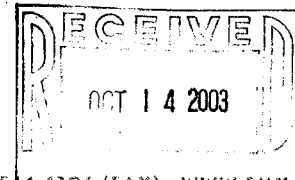
In response to your letter dated Aug 27, 2003 we submit the following:

The Executive Director and Finance Committee of the Board of Directors of the Sexual Minority Youth Assistance League (SMYAL) have reviewed your findings and recommendations from the draft report entitled "Audit of HIV/AIDS Grant Expenditures at the Sexual Minority Youth Assistance League" for the period September 30, 2001 through September 29, 2002.

We **concur** with your findings that *SMYAL improved its internal accounting controls during the audit period in three areas: time reporting, cash disbursements and financial policies and procedures. These improvements should help to ensure that grant expenses are properly documented and grant funds are used for the intended purpose.*

We have implemented as an action plan:

- ◆ The continued use of internal controls and supervision implemented to during the audit period (September 30, 2001 through September 29, 2002).
- ◆ Staff training to include a review of allowable expenditures as they relate to the grant including a list of items and expenditures.
- ◆ The review and approval of purchase orders and other grant specific expenditures by a financial officer and/or Executive Director.





SEXUAL MINORITY YOUTH ASSISTANCE LEAGUE

UNITED WAY/CFC 8142

Page 2 of 2

We also **concur** with your findings that *SMYAL* charged \$1,155 in *unallowable costs for advertising buttons and stickers that were not related to the grant.*

We have implemented as an action plan:

- ◆ The use of unrestricted funds will cover the cost of any advertising buttons or stickers not related to the grant and those funds used will be returned to the funder.

Please accept this letter as a formal response to the report you submitted, summarize it in the body of your report and include it in its entirety as an appendix. If you have any questions on any aspect of this response, please contact me at 202-546-5940.

Respectfully Submitted,

Bruce Weiss  
Executive Director  
Sexual Minority Youth Assistance League