

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DEPARTMENT OF
HEALTH'S HIV/AIDS HEPATITIS
STD TB ADMINISTRATION'S (HAHSTA)
MANAGEMENT AND ADMINISTRATION
OF HILL'S COMMUNITY RESIDENTIAL
SUPPORT SERVICES, INC. GRANT**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



August 4, 2011

Mohammad N. Akhter, MD, MPH
Director
Department of Health
899 North Capitol Street, N.E., 9th Floor
Washington, D.C. 20002

Dear Dr. Akhter:

Enclosed is the final report summarizing the results of the Office of the Inspector General's (OIG) *Audit of the Department of Health's HIV/AIDS Hepatitis STD TB Administration's (HAHSTA) Management and Administration of Hill's Community Residential Support Services, Inc. Grant* (OIG No. 9-2-37HC).

As a result of our audit, we directed six recommendations to the Department of Health (DOH) for action we consider necessary to correct identified deficiencies. We received a response to the draft audit report from DOH on June 13, 2011. DOH agreed with our recommendations. We consider actions taken and/or planned by the DOH to meet the intent of the recommendations. However, DOH did not provide target dates for completing the planned actions for any of the recommendations. We request DOH to provide estimated completion dates for all of the recommendations within 60 days of the date of this report. The full text of the DOH's response is included at Exhibit C.

We appreciate the cooperation and courtesies extended to our staff by DOH during this audit. If you have questions, please contact me or Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink that reads "Charles J. Willoughby". The signature is fluid and cursive.

Charles J. Willoughby
Inspector General

CJW/np

cc: See Distribution List

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**AUDIT OF THE DEPARTMENT OF HEALTH'S
HIV/AIDS HEPATITIS STD TB ADMINISTRATION'S
MANAGEMENT AND ADMINISTRATION OF HILL'S
COMMUNITY RESIDENTIAL SUPPORT SERVICES, INC. GRANT**

ACRONYMS

ADAP	AIDS Drug Assistance Program
AIDS	Acquired Immunodeficiency Syndrome
CBO	Community-based Organization
CFR	Code of Federal Regulations
DOH	Department of Health
DRL	Document Request List
FICA	Federal Insurance Contributions Act
FY	Fiscal Year
HAA	HIV/AIDS Administration
HAHSTA	HIV/AIDS Hepatitis STD TB Administration
HCRSS	Hill's Community Residential Support Services, Inc.
HIV	Human Immunodeficiency Virus
HOPWA	Housing Opportunities for People with AIDS
NOGA	Notice of Grant Agreement
OIG	Office of the Inspector General
STD	Sexually Transmitted Disease
SOAR	System of Accounting and Reporting
SUTA	State Unemployment Tax Act
TB	Tuberculosis

**AUDIT OF THE DEPARTMENT OF HEALTH'S
HIV/AIDS HEPATITIS STD TB ADMINISTRATION'S
MANAGEMENT AND ADMINISTRATION OF HILL'S
COMMUNITY RESIDENTIAL SUPPORT SERVICES, INC. GRANT**

TABLE OF CONTENTS

EXECUTIVE DIGESTi

INTRODUCTION1

 BACKGROUND 1

 OBJECTIVES, SCOPE, AND METHODOLOGY2

 PRIOR AUDITS AND REVIEWS.....3

FINDING AND RECOMMENDATIONS5

 FINDING: MANAGEMENT OF GRANT FUNDS.....5

EXHIBITS 14

 EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM
 AUDIT 14

 EXHIBIT B: ALLEGATIONS AND AUDIT RESULTS 16

 EXHIBIT C: DOH RESPONSE TO DRAFT REPORT..... 19

EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the Department of Health's HIV/AIDS Hepatitis STD TB Administration's (HAHSTA) (formerly known as HAA) Management and Administration of Hill's Community Residential Support Services, Inc. grant. This audit was conducted at the request of HAHSTA's Care, Housing, and Support Services Bureau Chief, after receiving allegations of improprieties in Hill's Community Residential Support Services, Inc. (HCRSS) management operations of a Housing Opportunities for People with AIDS (HOPWA) grant. We also received a copy of a letter sent to the Executive Office of the Mayor, which documented allegations received from another source with knowledge of HCRSS operations. These allegations were lodged against both HCRSS and HAHSTA. Our review of the specific allegations is shown in Exhibit B.

The objectives of the audit were to determine whether HAHSTA: (1) managed and used grant resources in an efficient, effective, and economical manner; (2) administered grant funds in compliance with applicable laws, regulations, policies, and procedures; (3) documented program reimbursements properly and for the correct amounts; and (4) established internal controls to safeguard against waste, fraud, and abuse. Based upon the allegations made in the complaints, we refined our audit objectives to include determining the validity of the allegations.

During the course of our audit, we identified several control weaknesses in HAHSTA's management of grants. We found that weak controls existed over the program monitoring of subgrantee deliverables and validation of expenditures. We also found significant issues with business licensing oversight and HAHSTA's failure to conduct grant closeout procedures. Weaknesses in HAHSTA's grant management have been identified in previous audits performed by the OIG.

HAHSTA does not have written documentation describing the agency's internal control structure for all significant transactions and events. Our audit identified deficiencies with HCRSS compliance with grant terms, such as conducting grant closeout procedures and obtaining proper licensure required to operate a business in the District of Columbia. HAHSTA management was aware of HCRSS' deficiencies in complying with the terms and conditions of the grant agreement, but continued to reimburse HCRSS for unsubstantiated expenditures. We noted that HCRSS habitually submitted its monthly expense report after the 10th business day of the month for costs incurred during the preceding month, in violation of the grant agreement.

HAHSTA officials were slow in responding to OIG documentation requests and did not provide all documents requested. HAHSTA management failed to provide basic underlying information regarding its control environment, as well as the management and monitoring of

EXECUTIVE DIGEST

the HCRSS grant. HAHSTA's failure to provide basic information indicates that it has significant weaknesses in its control environment and control activities with respect to records management and records retention processes.

We also noted that the grant monitor failed to validate the fringe benefit costs claimed by HCRSS. We reviewed HCRSS bank records and found no evidence that any fringe benefit costs were actually paid on behalf of employees for federal and state tax withholdings or to any healthcare insurance carriers.

CONCLUSIONS

HAHSTA management did not adhere to the terms and conditions of the HOPWA grant agreement. Specifically, the purchase of goods and services included in invoices HCRSS submitted to HAHSTA for the period of October 2008 through December 2009 contained no evidence of actual expenditures as required by the grant agreement. For FY 2009, HAHSTA reimbursed \$267,192 to HCRSS, of which only \$102,394 contained evidence of an actual expenditure (e.g., a check, money order, or receipt). Documentation generally submitted by HCRSS was composed primarily of vendor invoices, employee timesheets, and bills from utility companies. These documents are not evidence of payment and should not have been used as a basis for reimbursement to HCRSS.

These conditions occurred because: (1) HAHSTA program monitors did not effectively fulfill their responsibilities to carry out HAHSTA's mission and perform programmatic monitoring of subgrantees; and (2) there was inadequate fiscal accountability over recording and reporting grant expenditures. As a result, HAHSTA provided ineffective management controls over operations, which affected areas such as program monitoring, fiscal responsibility, and receipt of deliverables.

SUMMARY OF ALLEGATIONS

The Executive Office of the Mayor received four allegations regarding HCRSS: (1) HCRSS invoiced HAHSTA for salaries of employees that did not exist; (2) HCRSS employees were not being paid their full wages; (3) HCRSS failed to pay State Unemployment Tax Act (SUTA), Federal Insurance Contributions Act (FICA), and health insurance premiums and other fringe benefits; and (4) HCRSS failed to pay utilities, resulting in the discontinuance of service, after billing and receiving payment from HAHSTA for these expenses.

Based on our review of HCRSS banking records, invoices submitted to HAHSTA and interviews with former HCRSS employees, we were able to substantiate most of the allegations. First, HCRSS billed HAHSTA \$3,600 for a person who provided no services. In addition, HCRSS did not pay employees the amounts billed to HAHSTA for reimbursement.

EXECUTIVE DIGEST

Finally, we found no evidence that HCRSS remitted any payments for SUTA, FICA, or health insurance premiums to any carrier, and employees were not paid for time worked inclusively. See Exhibit B for the specifics of each allegation.

SUMMARY OF RECOMMENDATIONS

We directed six recommendations to the Director of DOH that we believe are necessary to correct the deficiencies noted in this report. The recommendations, in part, center on the following:

- Ensuring that HAHSTA management implements procedures to ensure that grant monitors require subgrantees comply with all grant agreement terms;
- Requiring that grant monitors validate all costs submitted to HAHSTA for reimbursement to ensure that HCRSS' expenses are valid;
- Recouping from HCRSS all claimed costs that could not be validated as expenditures.
- Ensuring that grant monitors only accept valid documents as evidence that payments were made for goods and services;
- Ensuring that grant monitors maintain all documents that are germane to the grant agreement, such as: District licenses, bank statements, property lease agreements, and evidence of federal and state withholdings; and
- Implementing an internal control structure that provides assurance that proper oversight and monitoring are provided for all subgrantees.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

EXECUTIVE DIGEST

MANAGEMENT RESPONSE

On June 13, 2011, the Director of DOH provided a written response to our draft report. DOH concurred with our recommendations. According to the DOH/HAHSTA response, steps have been taken to address the listed recommendations noted in our draft report. HAHSTA is working with DOH's Legal Division to determine the proper recourse for recouping the amount identified by the OIG as unsubstantiated expenditures; HAHSTA has also increased efforts to monitor subgrantee activity. Further, HAHSTA has established a standard operating procedure for the Provider-invoice approval process. Additionally, HAHSTA is working closely with the DOH Office of the Director and DOH Human Resources Division to realign HAHSTA's financial management structure, which will increase accountability during the subgrant initiation and invoice payment certification processes.

We consider actions taken and/or planned by the DOH to meet the intent of the recommendations. However, DOH did not provide the target dates for completing the planned actions for any of the recommendations. Therefore, we request DOH to provide estimated completion dates for all of the recommendations within 60 days of the date of this report.

INTRODUCTION

BACKGROUND

The purpose of the Housing Opportunities for People with AIDS (HOPWA) program is to provide states and localities with the resources and incentives necessary to devise long-term, comprehensive strategies to meet the housing needs of persons with Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) and related diseases and their families. HOPWA funds are awarded to the District of Columbia by the U.S. Department of Housing and Urban Development (HUD). The Department of Health HIV/AIDS, Hepatitis, STD and TB Administration (HAHSTA), in conjunction with the Department of Housing and Community Development, implements housing priorities established for the District of Columbia in the Consolidated Housing Plan.

The primary goals and objectives of the HOPWA program are to:

- Reduce homelessness, minimize the risk of homelessness, increase housing stability, and promote the general health and well-being of residents with HIV/AIDS and their families;
- Increase the availability of decent, safe, and affordable housing for low-income persons living with HIV/AIDS;
- Create and support affordable housing units by matching HOPWA funds with other resources through community planning and coordination; and
- Facilitate governments and nonprofit organizations in developing innovative partnerships to identify and address housing and support services needs for HIV-positive individuals.

The HOPWA program is administered by the D.C. Department of Health (DOH). In 2007, DOH awarded three, 1-year grants to Hill's Community Residential Support Services, Inc. (HCRSS). The combined value of the grants was \$900,000 (\$300,000 per year). We reviewed the grant for the 3rd year, fiscal year (FY) 2009.

HIV/AIDS, Hepatitis, STD, and TB Administration

HAHSTA is the core District government agency to prevent HIV/AIDS, sexually transmitted diseases (STDs), Tuberculosis (TB), and Hepatitis; reduce transmission of those diseases; and provide care and treatment to persons with the diseases. HAHSTA partners with health and community-based organizations to offer testing and counseling, prevention education and intervention, free condoms, medical support, free medication and insurance, housing, nutrition, personal care, emergency services, and direct services

INTRODUCTION

at its STD and TB clinics for residents of the District and the metropolitan region. HAHSTA administers the District's budget for HIV/AIDS, STD, TB, and hepatitis programs; provides grants to service providers; monitors programs; and tracks the incidence of HIV, AIDS, STDs, tuberculosis, and hepatitis in the District of Columbia.¹

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether HAHSTA: (1) managed and used grant resources in an efficient, effective, and economical manner; (2) administered grant funds in compliance with applicable laws, regulations, policies, and procedures; (3) documented program reimbursements properly and for the correct amounts; and (4) established internal controls to safeguard against waste, fraud, and abuse. Based upon the allegations made in the complaints, we refined our audit objectives to include determining the validity of the allegations.

To accomplish our objectives, we reviewed applicable laws, regulations, policies, and procedures. We conducted interviews with responsible HCRSS and HAHSTA officials in order to obtain a general understanding of their internal controls and processes. In order to reach our conclusions, we also reviewed HCRSS banking records. In addition, we reviewed the District's grant agreement with HCRSS, the invoices submitted to HAHSTA for fiscal year (FY) 2009, and other related documents.

We relied on computer-processed data from the System of Accounting and Reporting (SOAR) to obtain summary information on the total amount paid to HCRSS from October 1, 2008, through September 2009. However, we did not perform a formal reliability assessment of the SOAR computer-processed data because the system's reliability had already been established through tests performed as part of the city-wide Comprehensive Annual Financial Report audit.

This performance audit was conducted in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ See http://doh.dc.gov/doh/cwp/view.a.1371.q.573205.dohNav_GID.1802.asp (last visited Dec. 13, 2010).

INTRODUCTION

PRIOR AUDITS AND REVIEWS

Over the past 5 years, the OIG has completed three audits covering the administration and grant management of HIV/AIDS programs. Summaries of these audits are provided below:

- **Audit of the Department of Health HIV/AIDS Administration Office, OIG No. 04-2-05HC, dated June 22, 2005.** This report contains four findings that detail the conditions we documented during the audit. The audit identified that HIV/AIDS Administration (HAA) needs to improve monitoring and oversight of subgrantees that provide HIV/AIDS services to District residents. We found that grant monitors did not perform the required number of site visits, prepared questionable site visit reports, inadequately maintained subgrantee files, failed to ensure that subgrantees were providing services as agreed, and did not sufficiently ensure that monitors performed their duties.

We also found that HAA did not ensure that subgrantees were operating under proper District licensure. In fact, some subgrantees' Articles of Incorporation had been revoked. Additionally, HAA did not ensure that Medicaid-eligible subgrantees were certified to receive Medicaid funding (reimbursement) before requests for reimbursement were provided from grant funds. Further, HAA did not always provide timely reimbursements to subgrantees, and in some cases, took over 90 days to reimburse subgrantees.

Lastly, we found that fiscal accountability over grant budgets and expenditures was inadequate. HAA could not provide us with budget and expenditure information related to individual grants. Specifically, there were few internal controls in place to ensure that HAA effectively and efficiently used HIV/AIDS grant funding.

- **Follow-up Audit of the Department of Health's Administration for HIV Policy and AIDS Programs, OIG No. 06-2-23HC, dated October 20, 2006.** This report contains two findings that detail the conditions we documented during the audit. The audit identified that DOH needs to implement five of seven previously agreed-to recommendations to improve monitoring and oversight of subgrantees that provide HIV/AIDS services to District residents. We again identified problems with grant monitoring, finding that grant management specialists did not perform the required number of site visits, inadequately maintained subgrantee files, and did not sufficiently ensure that monitors performed their duties.

INTRODUCTION

As reported in our prior audit, we again found that DOH did not always ensure that subgrantees were operating under proper District licensure. In fact, some subgrantees' Articles of Incorporation had been revoked. Additionally, DOH did not ensure that Medicaid-eligible subgrantees were certified to receive Medicaid funding (reimbursement) before requests for reimbursement were provided from grant funds.

Our review of the AIDS Drug Assistance Program (ADAP) found that DOH did not adequately use available ADAP funding to provide drug treatment to District residents. Specifically, there were few internal controls in place to ensure that DOH effectively and efficiently used HIV/AIDS grant funding. Due to improper management and planning of ADAP funding, approximately \$6.8 million of ADAP funds remained unspent.

- **Audit of the Department of Health's Administration of HIV Policy and Programs and Grant Management, OIG No. 07-2-06HC, dated October 15, 2008.** This report contains four findings that detail the conditions documented during the audit. The audit found that HAA's maintenance over contract files and records was inadequate. We found numerous contract files where documents required to be maintained in the file folders were missing. The contract administration function in HAA lacked effective management oversight and resulted in noncompliance with certain District laws and regulations.

In addition, we found inefficient controls over HAA's administrative functions. There were HAA employees who had not received performance evaluations, and several employee personnel files were missing position descriptions. Our audit further indicated that HAA needs to improve controls over the grant award process. We found that reviews of awarded subgrants to HIV/AIDS care providers were not conducted consistently among the divisions within HAA. Further, HAA had inadequate controls over the program monitoring of subgrantee deliverables. HAA's fiscal accountability over grant budgets and expenditures also needed improvement. As a result, HAA was unable to provide accurate budget and expenditure reporting data. Lastly, HAA had not fully implemented some prior audit report recommendations.

FINDING AND RECOMMENDATIONS

FINDING: MANAGEMENT OF GRANT FUNDS

SYNOPSIS

The audit disclosed that HAHSTA inadequately managed HOPWA grant funds. Specifically, HAHSTA did not monitor and enforce HCRSS compliance with grant terms and conditions; maintain required grant documents and records; and provide adequate management controls for the HCRSS grant. These conditions occurred mainly because of insufficient management oversight by HAHSTA program monitors over the financial activities of HCRSS.

The failure of the HAHSTA to ensure HCRSS' compliance with the subgrant requirements, coupled with inadequate program oversight on the part of program monitors, resulted in the District reimbursing HCRSS about \$165,000 in grant funds without proper documentation to support costs. We could not determine how HCRSS' grant-related costs were incurred due to a lack of records.

HAHSTA management failed to adhere to the terms and conditions of the HOPWA grant agreement with HCRSS. Invoices submitted by HCRSS to HAHSTA for the period of October 2008 through December 2009 lacked evidence of actual expenditures. HAHSTA reimbursed \$267,192 to HCRSS, of which only \$102,394 contained evidence of an actual expenditure. Documentation submitted by HCRSS to support reimbursements did not always show that expenditures had actually been paid.

From October through December 2008, HCRSS submitted copies of nine checks totaling \$10,354 to HAHSTA as evidence of expenditures. However, there was no evidence that these checks had been presented to financial institutions for payment. As a result, we were unable to determine whether these checks were actual payments for goods and services that would entitle HCRSS to reimbursement from HAHSTA.

DISCUSSION

In 2007, HAHSTA awarded HCRSS three, 1-year grant agreements to provide Substance Abuse Housing and Project Base Housing for persons living with HIV/AIDS and their families, in accordance with the terms and conditions of this grant agreement and the AIDS Housing Opportunity Act. Each grant was for \$300,000, for a combined value of \$900,000. Our review covered the grant for the 3rd year, FY 2009.

FINDING AND RECOMMENDATIONS

Compliance with Grant Agreement Terms

Reimbursement of Subgrantee Expenses. Article XVI of the grant agreement, Reimbursement, provides that the subgrantee shall provide an expense report for the prior month's expenditures with supporting documentation as evidence of expenditures, by the 10th business day of each month. Additionally, Article II: Reporting Requirements - Invoices and Expense Reports, states that "the subgrantee shall maintain receipts for all costs incurred, and make the receipts available to HAHSTA upon request...."

We found that HAHSTA had not adhered to the terms of the grant agreement by requiring HCRSS to submit proper evidence that expenditures had been paid for goods and services. For example, HAHSTA accepted copies of one-sided checks from HCRSS that did not provide evidence the checks had been negotiated by the payee. We reviewed HCRSS' bank statements to determine whether these checks had been presented to the bank and found no evidence that they had been paid. As a result of HAHSTA officials accepting copies of only the face of HCRSS checks as proof of expenditure, they failed to detect that HCRSS' reimbursement requests may not have been valid.

HCRSS also submitted employee sign-in sheets to HAHSTA as evidence of employee costs. However, these sheets did not document employee pay rates, the amount of employee or employer withholdings for taxes, or employee benefits, as required by the grant agreement. Accordingly, these costs could not be recomputed and traced to a payroll register. Also, there was no evidence that W-2s had been provided to employees, and we found that HAHSTA accepted copies of money orders as evidence of payroll for HCRSS employees.

We reviewed written communications among the HAHSTA's Chief of Grants Management and Fiscal Monitoring, the Grant Management Specialist, and the Executive Directors of HCRSS, in which HAHSTA noted deficiencies with HCRSS' claimed expenditures. We found no evidence that HAHSTA resolved the deficiencies prior to reimbursing HCRSS. HAHSTA's management facilitated and enabled HCRSS to obtain grant funds without fully complying with the terms and condition of the grant agreement.

HAHSTA reimbursed HCRSS a total of \$267,192 over a 10-month period for claimed services rendered as per the grant agreement. We reviewed the invoices HCRSS submitted and HAHSTA approved, noting that only \$102,394 was supported with appropriate evidence (e.g., check, money order, or receipt) of actual expenditures made.

FINDING AND RECOMMENDATIONS

As a result, HAHSTA reimbursed HCRSS approximately \$165,000 for claimed costs that could not be validated as actual expenditures.

Additionally, we found several questionable reimbursements, including a veterinarian's bill for examinations and shots for a cat that was living in the HCRSS residence. We were told by a former HCRSS employee that the cat was being housed to combat vermin infestation. The Grant Monitor directed HCRSS to have the animal examined and inoculated and reimbursed HCRSS for the charge. Pursuant to the grant agreement the subgrantee is responsible for providing all services routinely necessary for maintenance and operation of the facility. Rather than using a cat to address a vermin infestation, the subgrantee should have hired an exterminator--the cost of which is reimbursable.

Reporting Requirements. Article II of the grant agreement, Invoices and Expense Reports, states that “[t]he subgrantee shall maintain receipts for all costs incurred, and make the receipts available to [HAHSTA] upon request...” Article II also states that the subgrantee must submit an expense report by the 10th business day of each month for the costs incurred for the previous month. Additionally, Article XVI, Section A of the grant agreement states that on or before “the tenth (10th) business day of each month, the Subgrantee shall provide an expense report (DHS-Form 1713) for the prior months’ expenditures with supporting documentation as evidence of expenditures.” We noted that HCRSS consistently submitted their invoices after the 10th business day of the month for the previous month’s expenditures. This was evidenced by the date stamp applied to the document by HAHSTA. Per Article XVI, Section D, HAHSTA should have notified HCRSS that failure to timely submit invoices on or before the 10th business day of each month would result in HAHSTA withholding payment or recouping payments that had been issued for invoices submitted in violation of the grant agreement.

Business Licensure. Article II of the grant agreement, Assurances, requires that at the time the agreement is signed, the subgrantee must provide HAHSTA with proof that it has a business license. Pursuant to 17 DCMR § 3800.2, “a business subject to this chapter shall obtain a separate license for each business entity with a tax identification number and each business location in the District.” During the course of our audit, we determined that the business license included in the assurance package for this grant did not agree with the address of the property cited in the grant agreement. The license listed an HCRSS address that listed an address in Northeast, Washington (another HCRSS location), while the address in the grant agreement referenced an address in Northwest, Washington, for the licensing period covering June 1, 2009, to May 31, 2011. This licensing period commenced nearly a year after the beginning of the grant period, which began on October 1, 2008. We found no evidence of an actual business

FINDING AND RECOMMENDATIONS

license for HCRSS with the address cited in the grant agreement. Therefore, there is no evidence that HCRSS met this requirement when it entered into the grant agreement with HAHSTA.

Facility Requirements. Article V, Section A of the grant agreement provides as follows:

The Subgrantee's facilities used during the performance of this Agreement shall meet all applicable federal, state, and local regulations for their intended use throughout the duration of this Agreement. The subgrantee shall maintain current [on] all required permits and licenses for the facilities. The subgrantee's failure to do so shall constitute a failure to perform the Agreement and shall be a basis for termination of the Agreement for default.

We found that HCRSS did not have a valid business license, as required by the grant agreement, to operate the facility at the address listed in the agreement. We found no evidence of HAHSTA attempting to terminate the agreement for noncompliance with this Article.

Program Close Out. Article XIX of the grant agreement provides the following:

- A. The subgrantee shall submit to the Grant Administrator, a final programmatic closeout report, in a format provided by HAA, no later than thirty (30) business days after expiration of the agreement.
- B. The subgrantee shall submit to the Grant Administrator, a final financial report within thirty (30) days of the expiration or termination of the grant, providing a year-end accounting of expenditures. This report must include:
 1. Summary of the cumulative obligation and disbursement of funds to sub-contractors;
 2. Financial statement from each sub-contractor identifying funds received and expended for each category of service; and

FINDING AND RECOMMENDATIONS

3. An accounting of all interest earned on advance grant award payments.
- C. Any subgrantee who is identified as being out of compliance with the terms and conditions of this award may be de-funded on the advice and consent of the Grant Administrator.

Additionally, 24 CFR Part 85, Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments, outlines the enforcement remedies for noncompliance with any term of a HUD grant award. Section 85.43 sets forth remedies for noncompliance as follows:

If a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions, as appropriate in the circumstances:

- (1) Temporarily withhold cash payments pending correction of the deficiency by the grantee or Subgrantee or more severe enforcement action by the awarding agency,
- (2) Disallow (that is, deny both use of funds and matching credit for all or part of the cost of the activity or action not in compliance),
- (3) Wholly or partly suspend or terminate the current award for the grantee's or subgrantee's program,
- (4) Withhold further awards for the program, or
- (5) Take other remedies that may be legally available.

HCRSS did not conduct required close-out procedures for the HOPWA grant for FYs 2008 and 2009 as required by the grant agreement. HAHSTA management continued to fund the grant for these 2 grant years without reviewing: (1) final programmatic reports indicating whether deliverables were met per the term of the grant; and (2) final financial reports providing a year-end accounting of expenditures.

HAHSTA management failed to take appropriate actions to safeguard grant funds by not implementing effective remedies for HCRSS' noncompliance with the grant agreement's administrative requirement to submit close-out reports.

FINDING AND RECOMMENDATIONS

Maintenance of Records

Requested documentation from HAHSTA was not readily available for examination. HAHSTA management could not readily provide basic information regarding its organization and management/monitoring of the HCRSS grant, which indicates that it has significant weaknesses in its control activities with respect to records management and retention processes. We provided HAHSTA management with a preliminary Document Request List (DRL) after our entrance conference. Seventeen of the 32 requested documents were not provided to us as of the date of this report. We made repeated follow-up requests for information and documentation from HAHSTA, but received no further information from HAHSTA after January 2010.

According to Article X of the grant agreement, HCRSS must retain all records for 3 years following the close-out of the grant. Article XII of the agreement states that the subgrantee “shall make provisions, upon request, for inspection and copying of financial records, including audited financial statements and tax returns, by DOH, and/or its representative(s).” We requested that HAHSTA obtain and provide to us the following HCRSS information:

- Bank statements;
- Payroll ledgers;
- Property lease agreements;
- Financial statements;
- Tax returns;
- Listing of assets; and
- Proof of filing the corporation’s 990.

HAHSTA management did not provide any of this information to us during our field work phase.

Other items subsequently requested and not provided to us included:

- Flowchart of the grant award process;
- Flowchart of the grant monitoring process;
- Each Request for Application (RFA) for this HOPWA grant;
- Final Grant Closeout Package (The package HAHSTA provided only covered the period of October 1, 2008, to April 30, 2009);
- Internal Control Questionnaire which was sent with the Preliminary DRL; and
- Copies of HAHSTA’s policy and procedures.

FINDING AND RECOMMENDATIONS

Lastly, HAHSTA management failed to provide requested documentation relative to invoices and reimbursements made to HCRSS for our review of FY 2009 transactions.

Management Control

Our audit determined that weaknesses in HAHSTA's control environment and its control activities with respect to records management and retention severely impacted its ability to independently validate HCRSS assertions and expenditures. Weak internal controls significantly increase the risk of waste, fraud, and abuse.

The Government Accountability Office's (GAO') Standards for Internal Control provide in relevant part:

Internal control is a major part of managing an organization. It comprises the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud...[I]nternal control, which is synonymous with management control, helps government program managers achieve desired results through effective stewardship of public resources.²

According to GAO, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations, on a timely basis.³

GAO further points out that:

Internal control should provide reasonable assurance that the objectives of the agency are being achieved in the following categories:

- Effectiveness and efficiency of operations, including the use of the entity's resources.

² U.S. GEN. ACCOUNTING OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT 4, GAO/AIMD-21.3.1 (1999).

³ U.S. GEN. ACCOUNTABILITY OFFICE, GOVERNMENT AUDITING STANDARDS 133, GAO-07-731G (JUL. 2007).

FINDING AND RECOMMENDATIONS

- Reliability of financial reporting, including reports on budget execution, financial statements, and other reports for internal and external use.
- Compliance with applicable laws and regulations.⁴

Control activities, specifically monitoring, should have prevented or detected any issue with proper administration of the grant. HAHSTA management was aware of HCRSS' deficiencies in complying with the terms and conditions of the grant agreement, but continued to reimburse HCRSS for unsubstantiated expenditures and allowed HCRSS to continue receiving grant funds to pay for unsubstantiated expenses.

RECOMMENDATIONS

We recommend that the Director, Department of Health:

1. Implement steps that provide assurance that grant monitors require subgrantees to operate in compliance with grant agreement terms.
2. Require that grant monitors validate all costs submitted to HAHSTA for reimbursement for actual receipt of goods and services to ensure that grant funds are used for intended purposes.
3. Recoup \$164,798 from HCRSS for claimed costs that could not be validated as expenditures.
4. Ensure that grant monitors only accept valid documents as evidence that payments were made for goods and services.
5. Ensure that grant monitors maintain all documents relevant to the grant agreement such as: District licenses, bank statements, property lease agreements, and documentary evidence of federal and District withholdings.
6. Implement an internal control structure to provide assurance that proper oversight and monitoring are provided for all subgrantees.

⁴ U.S. GEN. ACCOUNTING OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT 4-5, GAO/AIMD-00-21.3.1 (1999).

FINDING AND RECOMMENDATIONS

DOH RESPONSE

DOH has already taken steps toward addressing the six (6) recommendations noted in the draft audit report and presented to the Director of DOH as necessary to correct the discovered deficiencies. DOH's full response is included at Exhibit C.

OIG RESPONSE

DOH's actions are considered to be responsive and meet the intent of our recommendations. However, we request DOH to provide estimated completion dates for all of the recommendations within 60 days of the date of this report.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

Recommendations	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status⁵
1	Compliance and Internal Control. Ensures that subgrantees are properly monitored and in compliance with terms and conditions of the grant agreement.	Non-Monetary	TBD	Open
2	Internal Control and Economy and Efficiency. Ensures that expenditures submitted for reimbursement are for actual goods and services received.	Non-Monetary	TBD	Open
3	Economy and Efficiency. Recovers funds paid to HCRSS that could not be supported with valid documentation	Monetary \$164,798	TBD	Open
4	Internal Control. Ensures that valid supporting documentation is obtained before subgrantees are reimbursed for expenditures.	Non-Monetary	TBD	Open

⁵ This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

Recommendations	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status ⁶
5	Compliance and Internal Control. Ensures that required subgrantee documentation is maintained.	Non-Monetary	TBD	Open
6	Internal Control. Ensures that adequate grant monitoring is provided.	Non-Monetary	TBD	Open

⁶ This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B: ALLEGATIONS AND AUDIT RESULTS

Allegation No. 1

HCRSS has been submitting invoices on behalf of an employee for services to the District of Columbia HIV/AIDS Administration under contract number 9S0304 for \$1,200 per month for the time period of October 1, 2008, to March 30, 2009. In March 2009, HCRSS submitted an invoice for \$3,600. The employee stated that he performed no services for HCRSS during the period referenced above.

Audit Results

We reviewed HCRSS bank records for the period of October 1, 2008, to December 31, 2009, and found no evidence of checks presented to the bank for the check numbers allegedly written for the employee's services.

DOH Response: DOH concurs with the Audit Results for Allegation No. 1.

Allegation No. 2

The Executive Director of HCRSS collected monies for State Unemployment Tax Act (SUTA), Federal Insurance Contributions Act (FICA), and health insurance for employees without forwarding the proceeds to the necessary state and federal agencies. Employees had no health insurance in spite of having billed the District of Columbia for both health insurance and fringe benefits.

Audit Results

We reviewed HCRSS bank records for the period of October 1, 2008, to December 31, 2009 and found no evidence of checks presented to the bank for any disbursements to a state or federal taxing authority. We also found no evidence of any checks presented for payment for any healthcare providers.

DOH Response: DOH concurs with the Audit Results for Allegation No. 2.

EXHIBIT B: ALLEGATIONS AND AUDIT RESULTS

Allegation No. 3

HCRSS also has "ghost" employees (e.g., submits invoices for employees who performed little or no services in proportion to the amount billed). In other instances, HCRSS billed the District government for salaries for employees and paid only a portion of the total salary obligated. Similar incidents have occurred with the utilities. HCRSS has routinely submitted utility bills to HAHSTA for reimbursement but paid only a portion of the bills total cost. This ultimately resulted in the utilities being disconnected for nonpayment. HCRSS has paid board members as consultants, which may violate the Internal Revenue Code.

Audit Results

We found insufficient evidence to validate the allegation of "ghost" employees. However, we did determine that employees were not paid the correct net pay. We noted that most employees were paid by money orders in exact amounts, and there was no evidence that W-2s or a summary of payroll deductions had been provided to employees. We also found that utilities were disconnected for nonpayment.

DOH Response: DOH concurs with the Audit Results for Allegation No. 3.

Allegation No. 4

District government officials had knowledge of and approved questionable expenses on a monthly basis.

Audit Results

We reviewed all HCRSS FY 2009, billings to the District, as well as correspondence between HAHSTA and HCRSS and concluded that HAHSTA management was aware of the discrepancies and noncompliance with the terms and conditions of the grant agreement. However, HAHSTA continued to reimburse HCRSS for unsubstantiated costs.

DOH Response: DOH refutes the Audit Results for Allegation No. 4 on the basis that HAHSTA management did cease reimbursing HCRSS and notified HCRSS of discontinuance of the grant agreement upon firm knowledge of impropriety and noncompliance. *See Exhibit C for DOH's complete response.*

EXHIBIT B: ALLEGATIONS AND AUDIT RESULTS

OIG Response: With respect to DOH Exhibit 1, *Discontinuance of Funds Letters*, included in its response, this document does not support DOH's assertion that the original Executive Director was informed in writing of the defunding of the grant. The August 18, 2009, letter is not a discontinuance notice; rather, the letter pertains to transitioning for continuity of services.

A discontinuance of funding document would typically state the reason(s) for the termination of funding, the effective date of this action, and the relevant financial details associated with discontinuance of the grant. The August 18, 2009, letter contains none of this essential information.

EXHIBIT C: DOH RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health



Office of the Director

June 8, 2011

Mr. Charles Willoughby
Inspector General
DC Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Dear Mr. Willoughby:

The District Department of Health (DOH) has received and reviewed the draft of the OIG Audit of the Department of Health's HIV/AIDS, Hepatitis, STD, TB, Administration's (HAHSTA) Management and Administration of Hill's Community Residential Support Services, Inc. (HCRSS) Grant, dated April 18, 2011. Thank you for undertaking this Audit in response to a request from [REDACTED] HAHSTA's Care, Housing, and Support Services (CHSS) Bureau Chief.

As requested in the correspondence forwarding the draft audit report, DOH provides the enclosed response. We greatly appreciate the opportunity to provide the enclosed response, which highlights the remedial actions already taken to-date, as well as, reasserts our commitment to effectively and efficiently correct all deficiencies noted in the draft audit report. Should you have any further questions or concerns, please do not hesitate to contact DOH.

Respectfully,

Mohammad Akhter, MD, MPH
Director

cc: [REDACTED] MPSPM, CPM, SPHR, Chief Operating Officer, DOH
[REDACTED] M.D., PhD, Senior Deputy Director, HAHSTA
[REDACTED] Director of Program Audits, OIG

EXHIBIT C: DOH RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health

Office of the Director



Response to the Findings of the
District of Columbia Office of the Inspector General
*Draft Audit of the Department of Health's
HIV/AIDS, Hepatitis, STD, TB Administration's (HAHSTA
Management and Administration of Hill's Community
Residential Support Services, Inc. Grant
OIG No. 09-2-37HC*

Response Submitted by

Mohammad Akhter, MD, MPH
Director
Department of Health

[REDACTED]
Chief Operating Officer
Department of Health

[REDACTED]
Senior Deputy Director
Department of Health
HAHSTA

June 8, 2011

For all budget and/or financial inquiries regarding this submission, please contact [REDACTED] Administrative Services Manager, HAHSTA. [REDACTED] can be reached at [REDACTED] or at [REDACTED]. Any and all questions regarding HAHSTA should be directed to [REDACTED], Senior Deputy Director. [REDACTED] can be reached at [REDACTED] or [REDACTED].

EXHIBIT C: DOH RESPONSE TO DRAFT REPORT

I. DOH Response to Allegations and Audit Results

Allegation No. 1: HCRSS submitted invoices on behalf of an employee for services not performed during the relevant time period.

Audit Results: OIG found no evidence of checks presented to the bank for the check numbers allegedly written for the employee's services.

DOH Response: DOH concurs with the Audit Results for Allegation No. 1.

Allegation No. 2: The Executive Director of HCRSS collected monies for SUTA, FICA, and health insurance for employees without forwarding the proceeds to insurance carriers, or state, local, or federal agencies. HCRSS employees had no health insurance, despite billing HAHSTA for health insurance and other fringe benefits.

Audit Results: OIG found no evidence of checks presented to the bank for any disbursements to a state or federal taxing authority. OIG also found no evidence of any checks presented for payment for any healthcare providers.

DOH Response: DOH concurs with the Audit Results for Allegation No. 2.

Allegation No. 3: HCRSS submitted invoices for "ghost" employees who performed little or no services in proportion to the amount billed to HAHSTA. HCRSS billed HAHSTA for salaries for employees and paid only a portion of the total salary obligated. HCRSS routinely submitted utility bills to HAHSTA for reimbursement but paid only a portion of the bills' total cost. HCRSS paid board members as consultants, possibly in violation of the Internal Revenue Code.

Audit Results: OIG found insufficient evidence to validate the allegation of "ghost" employees. OIG determined that employees were not paid the correct net pay. OIG also found that utilities were disconnected for nonpayment.

DOH Response: DOH concurs with the Audit Results for Allegation No. 3.

Allegation No. 4: District government officials had knowledge of and approved questionable expenses on a monthly basis.

Audit Results: OIG concluded that HAHSTA management was aware of the discrepancies and noncompliance with terms and condition of the grant agreement, yet HAHSTA continued to reimburse HCRSS for unsubstantiated costs.

EXHIBIT C: DOH RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health

Office of the Director



DOH Response:

DOH refutes the Audit Results for Allegation No. 4 on the basis that HAHSTA management did cease reimbursing HCRSS and notified HCRSS of discontinuance of the grant agreement upon firm knowledge of impropriety and noncompliance.

In March 2009, HAHSTA held an internal review meeting of HCRSS's HOPWA sub-grant and determined that HCRSS was in need of additional technical assistance, including financial and programmatic capacity-building training. More specifically, [REDACTED] Grants Management Bureau Chief, provided [REDACTED] Chairman of HCRSS's Board, [REDACTED] Executive Director of HCRSS, and other HCRSS support staff with extensive technical assistance, in-person, via email, and via telephone on numerous occasions to improve HCRSS administrative functions, such as financial record-keeping and invoicing processes. Then, on April 6, 2009, [REDACTED] sent HCRSS a formal Corrective Action Plan, and thereafter, HAHSTA Grants Management Specialists and Program Officers followed-up directly with unannounced site visits. Throughout this period, neither, HAHSTA's Grants Management Bureau, nor HAHSTA's Care, Housing, and Support Services Bureau Chief, found any conclusive evidence of fraud on the part of HCRSS, and thus, continued to reimburse HCRSS, as directed by the former HAHSTA Senior Deputy Director, [REDACTED].

Furthermore, less than a week after HAHSTA was unable to acquire necessary access to the HCRSS facilities during an unscheduled site visit on August 12, 2009, HAHSTA sent HCRSS's Executive Director a Discontinuance of Funds Notice. See DOH Exhibit 1: *Discontinuance of Funds Letter*, dated August 18, 2009. More noteworthy, HAHSTA ceased issuing reimbursements beyond the June 2009 HCRSS invoice. In fact, the final two (2) payments made by the District to HCRSS were issued on August 5, 2009 (\$22,173.12) and August 17, 2009 (\$5,186.90), immediately prior to the issuance of the aforementioned Discontinuance Notice.

In sum, throughout FY09, HAHSTA actively monitored the HCRSS sub-grant and sought to provide all support necessary to ensure housing opportunities were effectively provided to people living with HIV/AIDS. HCRSS intentionally sought to defraud the District and utilized various methods to deceive HAHSTA's grants

EXHIBIT C: DOH RESPONSE TO DRAFT REPORT

management and program staff. Upon firm knowledge of impropriety and noncompliance with the grant agreement, HAHSTA officials took the appropriate steps of notifying the Office of the Inspector General; increasing scrutiny on the sub-grantee's activities; and ceasing payment of reimbursements after reasonable time for corrective action lapsed. Therefore, DOH does not agree with OIG's conclusion that HAHSTA management was aware of the discrepancies and noncompliance, yet still continued to reimburse HCRSS for unsubstantiated costs.

II. DOH Response to OIG Finding and Recommendations

OIG Finding: **Management of Grant Funds**
Audit disclosed that HAHSTA inadequately managed HOPWA grant funds, mainly because of insufficient management oversight by HAHSTA program monitors over financial activities of HCRSS.

Recommendations:

- 1) Implement steps that provide assurance that grant monitors require sub-grantees to operate in compliance with grant agreement terms.
- 2) Require that grant monitors validate all costs submitted to HAHSTA for reimbursement for actual receipt of goods and services to ensure that grant funds are used for intended purposes.
- 3) Recoup \$164,798 from HCRSS for claimed costs that could not be validated as expenditures.
- 4) Ensure that grant monitors only accept valid documents as evidence that payments were made for goods and services.
- 5) Ensure that grant monitors maintain all documents relevant to the grant agreement.
- 6) Implement an internal control structure to provide assurances that proper oversight and monitoring are provided for all sub-grantees.

DOH Response: DOH has already taken steps toward addressing the six (6) above-listed recommendations noted in the draft audit report and presented to the Director of DOH as necessary to correct the discovered deficiencies. Beyond working with DOH Legal to determine the proper recourse for recouping the amount identified by the OIG as unsubstantiated expenditures, HAHSTA has also increased efforts to monitor sub-grantee activity.

For example, in October 2009, HAHSTA instituted a policy requiring the implementation of Corrective Action and

EXHIBIT C: DOH RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health

Office of the Director



Remediation Plans for any sub-grantee that fails to comply with any terms of their sub-grant agreement. This measure has helped sub-grantee's build administrative capacity and develop systematic protocols for compliance.

Furthermore, HAHSTA has established a standard operating procedure for the Provider-invoice approval process. This formal protocol standardizes the manner in which sub-grantee invoices are reviewed, submitted, and paid throughout HAHSTA, regardless of funding source. In short, HAHSTA Program Officers meet with Grant Management Specialists to verify the validity of charges (e.g., goods, services, and benefits), as well as the rate of expenditure, prior to submission of the invoice to Accounts Payable via the District's Procurement Automated Support System (PASS).

Moreover, in conjunction with these newly-established corrective measures, HAHSTA is also working closely with the DOH Office of the Director and DOH Human Resources Division to realign HAHSTA's financial management structure, which will increase accountability during the sub-grant initiation and invoice payment-certification processes.

In conclusion, DOH recognizes that HCRSS exploited weak fiscal protocols; and thus, DOH and HAHSTA have since initiated and/or implemented corrective actions to remedy the deficiencies identified by OIG. HAHSTA, with the support of DOH, will continue to review and update fiscal operating procedures to ensure stronger and more effective grant management and administration of federal and local funds.

EXHIBIT C: DOH RESPONSE TO DRAFT REPORT

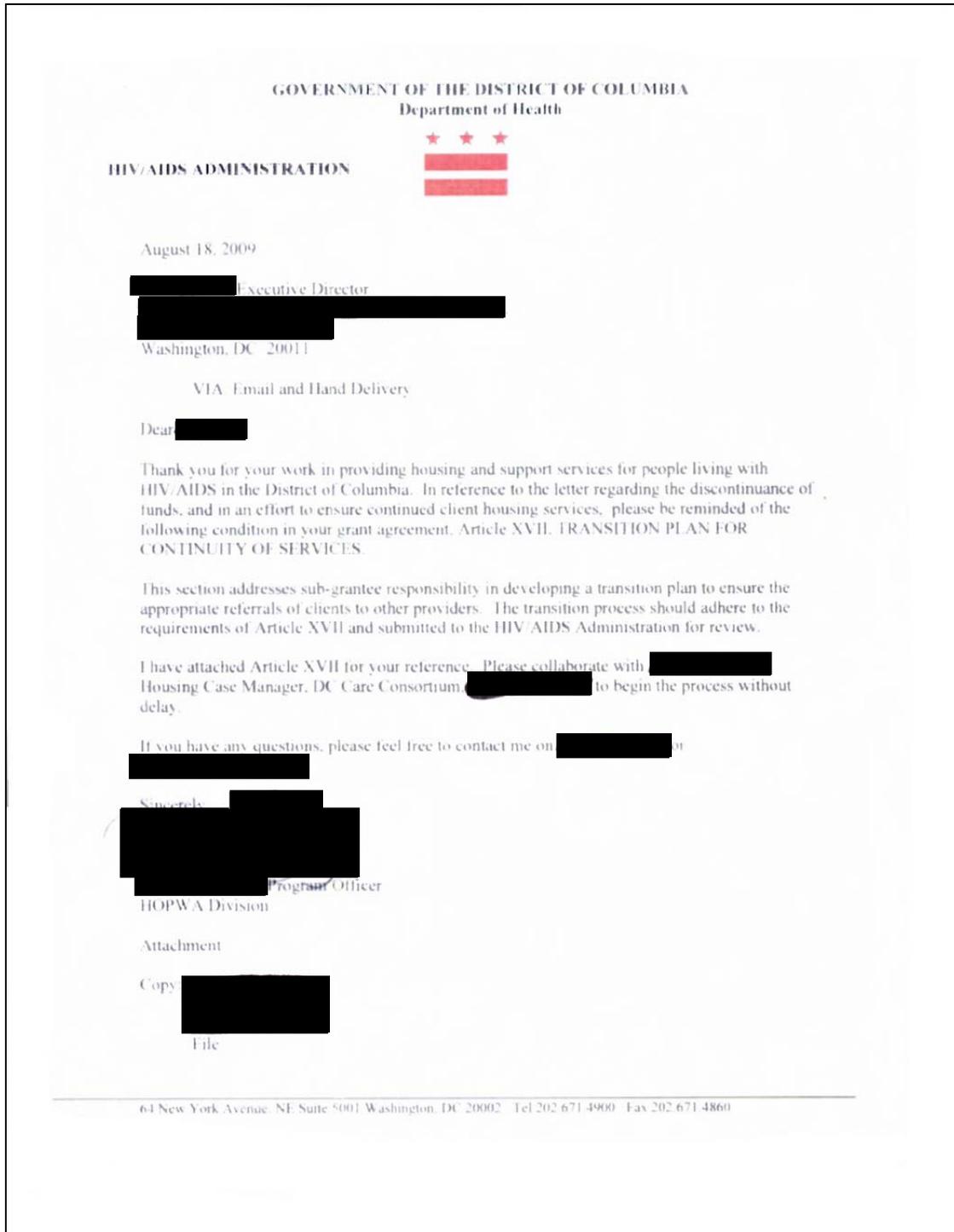


EXHIBIT C: DOH RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health

HIV/AIDS ADMINISTRATION



Article XVIII. Transition Plan for Continuity of Services

- A. Continuity of Services: It is essential that continuity of services be maintained under this grant for the residents of the District of Columbia. Therefore, in the event that the awarded grant expires or is terminated, the Sub-grantee shall cooperate with both the Grant Administrator, and any successor Sub-grantee to enable an efficient transition from one Sub-grantee to another. In the event that the Sub-grantee is de-funded for a successive grant period or should cessation of services occur for any reason, the Sub-grantee shall develop a transition plan to ensure the appropriate referral of clients to other providers. The sub-grantee shall develop the transition plan and make it available for review by HAA within forty-five (45) business days after the signing of this Agreement by the Sub-grantee. Failure to provide the transition plan will be deemed as non-compliance and could result in the termination of this Agreement. An acceptable transition plan must include the following:
1. Identify providers and or resources to ensure continued services for those clients who receive services funded by this grant. These resources must be programs that are DOH and / or Medicaid approved;
 2. Develop a contingency plan with those identified entities specifically stating what services will be provided;
 3. Develop procedure for transfer to include:
 - a. Notification to the client;
 - b. Name, address, and telephone and fax number of the receiving provider organization that the client is being transferred to;
 - c. Date the transfer will be effective;
 - d. Case summary reports to receiving provider organization;
 - e. Method to ensure that clients' will continue to receive services through the transfer period; and
 - f. Transfer of client files in accordance with Federal and District of Columbia laws related to privacy and confidentiality of client records, and regulations of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).
- B. DOH reserves the right to assume responsibility for services supported by this grant.