

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF NATIONAL ASSOCIATION
OF FAMILIES AND ADDICTION
RESEARCH EDUCATION (NAFARE)**

CHICAGO, ILLINOIS

**CONTRACT NO. 277-94-3009 AND
GRANT NO. UHSP08041**



**JANET REHNQUIST
INSPECTOR GENERAL**

**DECEMBER 2001
A-05-01-00040**

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

December 27, 2001

SUBJECT: Audit of National Association of Families and Addiction
Research Education (NAFARE)
Chicago, Illinois
Contract No. 277-94-3009 and Grant No. UHSPO8041
Common Identification No. A-05-01-00040

TO: Ms. Christine Chen
Director, Division of Grants Management, OPS
Substance Abuse and Mental Health Services Administration
5600 Fishers Lane
Rockwall II, Room 630
Rockville, MD 20857

This letter report provides you with the results of our audit of Contract No. 277-94-3009 and Grant No. UHSPO8041, issued by the U.S. Department of Health and Human Services (HHS), Substance Abuse and Mental Health Services Administration (SAMHSA).

INTRODUCTION

BACKGROUND

The contract was entitled the National Resource Center for the Prevention and Treatment of Alcohol, Tobacco and Other Drug Abuse and Mental Illness in Women. The purpose of the contract was to provide funding to NAFARE for: (i) policy orientation, (ii) dissemination of new research information, (iii) information/referral, training, (iv) services and systems design, and (v) technical assistance and evaluations of findings for programs targeting mental illness in women. With modifications, the contract amounted to \$10,903,814.

The grant was entitled the Child Study Center Behavioral Health Project. The purpose of the grant was to support the integration of mental health and substance abuse prevention and treatment services within primary health care service or early childhood service settings. The services were directed toward children from birth to age seven and their families/caregivers. The Notice of Grant Award, with revisions, authorized funding of \$1,100,741 over a two-year period.

In letters dated July 7 and July 16, 1999, SAMHSA requested that we perform audits of the costs claimed and incurred for the contract and the grant awarded to NAFARE. In further discussions with SAMHSA officials, the audit scope was narrowed to specific costs claimed and incurred beginning July 1, 1997.

SCOPE OF AUDIT

Our examination was conducted in accordance with generally accepted government auditing standards. However, we were not able to review OMB Circular A-133 reports for our audit period because audits had not been conducted since Fiscal Year ended June 30, 1997. Our audit was performed to determine whether costs claimed under the contract and grant were reasonable, allowable, and supported by accounting records. To accomplish the audit objectives, we: (i) interviewed NAFARE officials, (ii) reviewed applicable administrative, financial and accounting records, and (iii) performed such other auditing procedures as we considered necessary in the circumstances. Because of the limited objective of our review, we did not evaluate NAFARE's internal control structure.

Under the contract, NAFARE claimed costs of \$1.3 million during our audit period, July 1, 1997 through June 30, 1999. However, through our agreed upon audit procedures with SAMSHA officials, we did not review salaries claimed for individuals classified as NAFARE employees. We reviewed the remaining \$942,608 of contract costs claimed.

The audit period for the grant covered September 30, 1997 through September 29, 1999. During this period, NAFARE incurred costs of \$847,043 for the grant.

Except for the items discussed in the Results of Audit section of this report, we did not find instances of noncompliance with applicable laws, regulations, and subcontract provisions. With respect to those items not tested, nothing came to our attention to cause us to believe that untested items were not in compliance with applicable laws, regulations and provisions of the contract and grant.

Our fieldwork was performed at NAFARE offices in Chicago, Illinois during January 2001 and at SAMHSA offices in Rockville, Maryland during April 2000.

RESULTS OF AUDIT

Contract No. 277-94-3009. Based on our examination of \$942,608 of costs claimed, \$793,621 represent costs that are allowable under the contract, and therefore, reimbursable. We are questioning costs of \$34,994 because the costs either were not supported by adequate accounting records or exceeded approved cost limits. We are also questioning the related indirect costs of \$9,488. We express no opinion on the remaining balance of \$104,505 because these costs were not adequately supported.

Costs questioned (\$34,994) were comprised of consultant costs (\$8,180), travel costs (\$18,826), and other direct costs (\$7,988). Except for \$285 in consultant costs which exceeded the daily reimbursement limits set by SAMHSA, consultant costs were questioned because they were not adequately supported. Regarding travel costs of \$18,826, NAFARE was unable to provide adequate documentation for \$11,278 claimed, while the balance of \$7,548 exceeded contract limits for individual airline tickets

Because there was inadequate documentation, we express no opinion on costs of \$104,505, consisting of salary and fringe benefits (\$63,283) consultant costs (\$18,379) and the related indirect costs of \$22,843.

NAFARE management stated that the accounting records related to salaries and the fringe benefits were transferred to a different management group. According to a court order, all accounting records were to be transferred back to the current group. However, the documents were either not returned by the prior management group or could not be located by the current management group. For the consultant costs, we tested more than 50 percent of the costs and found that they were not supported by the accounting records. Therefore, these amounts and the related indirect costs are set aside for the awarding agency's adjudication,

Grant No. UHSP08041. Since documentation was not available to support the allowability of \$847,043 in costs incurred during the audit period, we are unable to express an opinion on these costs. The majority of the costs were incurred during the time period in which a different management group was overseeing the grant. Per a court order, the accounting records were to be transferred to the current management group. However, the documents were either not transferred or could not be located by the current management group. Therefore, we are setting these costs aside for awarding agency adjudication.

We discussed the results of our review with a NAFARE official. The official agreed with our audit results.

A summary of the costs claimed and the auditor's recommendations for each of the cost categories is shown on the attached exhibits.

If you have additional comments or concerns, please address them to the HHS Action official shown on the Report Distribution List. In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by public law 104-23 1, 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.) As such, within ten business days after the final report is issued, it will be posted on the World Wide Web at <http://oig.hhs.gov>.

To facilitate identification, please refer to Common Identification Number A-05-0 1-00040 in all correspondence relating to this report.



Paul Swanson
Regional Inspector General
for Audit Services

EXHIBIT A

NAFARE
CHICAGO, ILLINOIS

STATEMENT OF COSTS CLAIMED UNDER
SAMHSA CONTRACT NO. 277-94-3009
AND THE AUDITOR'S RELATED RECOMMENDATIONS

FOR THE PERIOD
JULY 1, 1997 THROUGH JUNE 30, 1999

<u>Element of Expense</u>	<u>Amount Claimed</u>	<u>Amount Recommended for Awarding Agency</u>		
		<u>Acceptance</u>	<u>Disallowance</u>	<u>Adjudication</u>
Salaries	\$ 52,300	\$ 0	\$ 0	\$ 52,300
Fringe Benefits	10,983	0	0	10,983
Consultants	32,746	6,187	8,180	18,379
Travel	248,316	229,490	18,826	0
Other Direct	<u>396,477</u>	<u>388,489</u>	<u>7,988</u>	<u>0</u>
Total Direct Costs	\$740,822	\$ 624,166	\$ 34,994	\$ 81,662
Indirect Costs	<u>201,786</u>	<u>169,455</u>	<u>9,488</u>	<u>22,843</u>
Total Costs	<u>\$942,608</u>	<u>\$ 793,621</u>	<u>\$ 44,482</u>	<u>\$ 104,505</u>

EXHIBIT B

**NAFARE
CHICAGO, ILLINOIS**

**STATEMENT OF COSTS CLAIMED UNDER
SAMHSA GRANT NO. UHSPO8041
AND THE AUDITOR'S RELATED RECOMMENDATIONS**

**FOR THE PERIOD
SEPTEMBER 30, 1997 THROUGH SEPTEMBER 29, 1999**

<u>Element of Expense</u>	<u>Amount Claimed</u>	<u>Amount Recommended for Awarding Agency</u>	
		<u>Acceptance</u>	<u>Adjudication</u>
Salaries	\$531,003	\$ 0	\$ 531,003
Fringe Benefits	126,783	0	126,783
Travel	24,753	0	24,753
Other Direct	<u>1,775</u>	<u>0</u>	<u>1,775</u>
Total Direct Costs	\$684,314	\$ 0	\$ 684,314
Indirect Costs	<u>162,729</u>	<u>0</u>	<u>162,729</u>
Total Costs	<u>\$847,043</u>	<u>\$ 0</u>	<u>\$ 847,043</u>