



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 6B6
Dallas, TX 75242-1027

December 4, 2001

Common Identification Number: A-06-01-00074

Ms. Karen Keene
Executive Director
Youth Shelters and Family Services
422 Medico Lane
Santa Fe, New Mexico 87505

Dear Ms. Keene:

Enclosed are two copies of the U. S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS) report entitled "Audit of the Youth Shelters and Family Services' Transitional Living Program Grant (06-CX-0491)". A copy of this report will be forwarded to the action official noted below for his review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the action official named below. 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), OIG, 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 which the Department chooses to exercise. (Sec 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-06-01-00074 in all correspondence relating to this report.

Sincerely yours,

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosures- as stated

Direct Reply to HHS Action Official:

Mr. Leon R. McCowan
Regional HUB Director
Administration for Children and Families
U.S. Department of Health and Human Services
1301 Young Street, Suite 914
Dallas, Texas 75202

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF THE YOUTH SHELTERS
AND FAMILY SERVICES'
TRANSITIONAL LIVING PROGRAM
GRANT (06-CX-0491)**



**JANET REHNQUIST
Inspector General**

**DECEMBER 2001
A-06-01-00074**

Office of Inspector General

<http://oig.hhs.gov>

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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.

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Department of Health and Human Services

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NOTICES

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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 OAS. Final determination on these matters will be made by authorized officials of the HHS divisions.



December 4, 2001

Common Identification Number A-06-01-00074

Ms. Karen Keene
Executive Director
Youth Shelters and Family Services
422 Medico Lane
Santa Fe, New Mexico 87505

Dear Ms. Keene:

This report provides you with the results of our audit of the Administration for Children and Families' (ACF) grant (06-CX-0491) to the Youth Shelters and Family Services (YSFS) for the Transitional Living Program. This grant covered the 3-year period November 1, 1996 through October 31, 1999. The objectives of the audit were to determine if YSFS: (1) achieved the grant objectives, (2) complied with standard terms and conditions of the grant, and (3) maintained a system of accounting and internal controls capable of managing Federal funds.

The YSFS was able to achieve all grant objectives to assist homeless youth, 16 to 21 years of age. Also, YSFS generally complied with the standard terms and conditions of the grant as well as established and followed accounting procedures enabling it to manage and account for Federal funds. However, our audit of YSFS' accounting controls revealed the following weaknesses that need to be corrected:

- Procedures were not in place to minimize the time elapsing between the transfer of Federal funds and the subsequent disbursement of these funds. Additionally, procedures were not in place to account for and remit any resulting interest to the Federal Government.
- The information YSFS reported on the Standard Form 269 (SF-269) financial reports submitted to ACF was inaccurate for 2 of the 3 fiscal years (FY) of this grant.
- Account balances of over \$100,000 were maintained periodically in one bank. Amounts exceeding \$100,000 are not insured though the Federal Deposit Insurance Corporation (FDIC).
- A system was not in place to track fixed assets purchased with Federal funds.

We are recommending that YSFS develop and implement policies and procedures to strengthen its internal controls.

In response to our draft report, YSFS generally agreed with our recommendations and provided information on steps it is or has already taken to comply with the recommendations. However, we still feel that YSFS needs to ensure the accuracy of its SF-269s and strengthen controls over fixed assets. See Appendix for a complete copy of YSFS' response.

Background

Since the enactment of the Juvenile Justice and Delinquency Prevention Act of 1974, as amended in 1975, the Federal Government has funded emergency shelter programs that provide for the immediate needs of runaway and homeless youth and their families and promote family reunification. Unfortunately, many young people who are homeless cannot always return to their families due to abuse, neglect, abandonment or family conflict.

In response to the growing concern for these youth, Congress determined that many young people need long-term, supportive assistance that emergency shelter programs were not designed to provide. As a result, in 1988, Congress created the Transitional Living Program for Older Youth (TLP) to address this need.

The TLP is administered within the U. S. Department of Health and Human Services by ACF. The TLP supports projects that provide long-term residential assistance to homeless youth 16 to 21 years of age in order that the youth can make a successful transition to self-sufficient living.

The YSFS is a private nonprofit organization founded in 1980 that serves homeless youth in Northern New Mexico. The YSFS is located in Santa Fe, New Mexico with its project site situated on a public transportation route, close to most participants' job sites and in an area where much of the city's affordable housing is located.

The ACF awarded YSFS a grant for the project period November 1, 1996 through October 31, 1999 in the amount of \$600,000 (\$200,000 for each of the 3 years). The grant was awarded to assist homeless youth, 16 to 21 years of age, through outreach, basic life skills, housing assistance and case management services. Homeless youth could remain in the program for up to 18 months.

Objectives, Scope, and Methodology

The objectives of this audit were to determine if YSFS: (1) achieved the grant objectives, (2) complied with standard terms and conditions of the grant, and (3) maintained a system of accounting and internal controls capable of managing Federal funds.

To accomplish our audit objectives we:

- interviewed YSFS officials to obtain an understanding of YSFS' TLP program, its internal control structure and its ability to manage and account for Federal funds;
- examined YSFS' grant proposal, progress reports, State monthly reports, client case files and other supporting documentation to determine whether YSFS achieved the grant objectives;
- reviewed selected controls to determine if they were sufficient to prevent expenditures not in accordance with terms and conditions of the grant;
- compared grant application budget categories to expenditures to ensure they were in accordance with terms and conditions of the grant; and
- reviewed YSFS' accounting policies and procedures, interviewed accounting personnel, reviewed audit reports from the independent Certified Public Accounting firm during the grant period and reviewed support for the financial information reported on the SF-269s to ensure YSFS was capable of managing and accounting for Federal funds.

The TLP grant (06-CX-0491) was randomly selected for audit along with other grants from a national database maintained by ACF. We conducted our audit in accordance with generally accepted government auditing standards.

We conducted our field work at YSFS' office in Santa Fe, New Mexico in July 2001.

RESULTS OF REVIEW

Program Results

Based on our review of YSFS progress reports, client case files and other supporting documentation, we determined that YSFS achieved all of the grant objectives. Additionally, grant progress reports were submitted timely.

The grant had five overall goals with multiple objectives within each goal. The five goals are as follows:

Goal 1 - Provide safe, stable, supervised living accommodations to homeless young people that will enable them to participate in program activities with long-term beneficial results, and that will reduce or eliminate the risk of their involvement in self-destructive or antisocial activity.

The YSFS accomplished this goal and its objectives by providing shelter and related services to a minimum of 10 youth at a time. Clients lived in an apartment complex and the YSFS staff provided 24-hour support and supervision.

Goal 2 - Develop the skills, attitudes, and personal characteristics that will enable homeless youth to live independent, productive lives with reduced subsequent dependence on social services or involvement in the judicial or correctional system.

The YSFS accomplished this goal and its objectives by providing clients with counseling, case management and life skills instruction to develop increasing levels of personal responsibility and other personal characteristics that support independent living. The YSFS also offered aftercare services to clients leaving the program.

Goal 3 - Reduce the incidence of substance abuse among homeless youth through education, counseling and treatment and through involvement in constructive, purposeful activities that raise self-esteem, develop leadership skills and encourage community involvement.

The YSFS accomplished this goal and its objectives by providing drug and alcohol assessments to clients upon intake. Additionally, YSFS provided clients with information, counseling and referrals for substance abuse prevention and treatment. YSFS also engaged clients in community services and activities to provide clients with a sense of purposeful connection with goals and people outside themselves, thereby reducing the need for involvement in drugs and alcohol.

Goal 4 - Improve the health and well being of homeless youth through providing referrals and access to physical and mental health care and through providing education and information regarding personal health maintenance.

The YSFS accomplished this goal and its objectives by providing clients with instruction, counseling, information and community resources for physical and mental health care. The YSFS also provided clients with monitoring, support and transportation to medical appointments.

Goal 5 - Provide homeless youth with the skills, resources and referrals to prepare for, obtain and keep employment.

The YSFS accomplished this goal and its objectives by providing clients with instruction, monitoring, guidance and feedback on job acquisition skills, including finding employment opportunities, completing applications, interviewing and developing other employment skills. The YSFS staff also placed an emphasis on clients completing high school or obtaining a GED. Clients were provided assistance in arranging for tutoring services as needed.

Fiscal Accountability

Based on our review of YSFS' accounting policies and procedures, internal control structure and accounting records, we determined that YSFS is able to manage and account for Federal funds. In additions, expenditures were in accordance with the terms and conditions of the grant, and financial reports were submitted timely. However, our audit of YSFS' accounting controls revealed the following weaknesses that should be corrected:

- The YSFS does not have procedures in place to minimize the time elapsing between the transfer of Federal funds and the subsequent disbursement of these funds as required by Federal regulations. The YSFS, in general, drew down 1/12th of the grant award each month. However, the transfers were not closely timed with disbursements. As a result, interest was being earned on these Federal advances. The YSFS did not track the amount of interest earned and as such did not remit the interest to the Federal Government as required by Federal regulations.
- The information reported on the SF-269 financial reports submitted to ACF was inaccurate for 2 of the 3 FYs of this grant. The YSFS reported expending its FY 1997 and 1998 grants in their entirety, \$200,000 each year. However, our review disclosed that YSFS had an unobligated balance of \$3,181 in FY 1997 and \$16,665 in FY 1998.
- The YSFS maintained periodic account balances of over \$100,000 in one bank. According to the FDIC, deposits in excess of \$100,000 in one bank are not insured under the FDIC regardless if it is held in single or multiple accounts.
- The YSFS does not have a system in place to track fixed assets purchased with Federal funds. Federal regulations require that an organization purchasing fixed assets with Federal funds specifically identify these assets within its equipment records. While YSFS did not purchase fixed assets with Federal funds from this particular grant, it has purchased a major asset with Federal funds from another grant.

Conclusion and Recommendations

The YSFS has successfully completed the objectives of the TLP grant. The YSFS has generally complied with the standard terms and conditions of the grant as well as established and followed accounting procedures enabling it to manage and account for Federal funds. However, internal control weaknesses need to be corrected.

We recommend that YSFS strengthen its internal controls by:

- developing policies and procedures that minimize the time elapsing between the transfer of Federal funds and the subsequent disbursement of these funds;
- ensuring accurate reporting on the SF-269 financial reports submitted to ACF;

- developing controls to assure that the cash balances in any one bank account do not exceed \$100,000; and
- establishing a system to track any fixed assets purchased with Federal funds.

Auditee Comments

In response to our draft report, the YSFS stated that it had significantly changed its accounting procedures subsequent to the audit period to minimize the amount of time lapsing between the transfer and subsequent disbursement of Federal funds. The YSFS has also hired a new Finance Manager who will be working with Payment Management System (PMS) officials to try to reconcile YSFS accounts to PMS records. The YSFS is also in the process of opening additional bank accounts to segregate funds by source and ensure bank account balances do not exceed \$100,000. In addition, YSFS maintains fixed assets in a paper file which are depreciated at year-end by its independent auditor.

OIG Response

The YSFS generally agreed with our recommendations. However, in addition to working with PMS officials to reconcile YSFS accounts to PMS records, the YSFS needs to ensure accurate reporting on the SF-269s submitted to ACF. The expenditures reported on two of the SF-269s submitted to ACF were not supported by amounts in YSFS' accounting records. In addition, during our review of YSFS' accounting system, there were no accounts tracking fixed assets. Although the paper file maintaining fixed assets was not provided to us during our audit, we do not believe this constitutes a system to track fixed assets and still feel our recommendation is valid. See Appendix for a complete copy of YSFS' response.

Sincerely,



Gordon L. Sato
Regional Inspector General
for Audit Services

APPENDIX



Youth Shelters & Family Services

422 Medico Lane, Santa Fe, New Mexico 87505 · 505.983.0586

November 14, 2001

Gordon L. Sato
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services
1100 Commerce, Room 6B6
Dallas, TX 75242

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Re: Common Identification Number A-06-01-00074

Mr. Sato,

Thank you for the opportunity to respond to the U.S. Department of Health and Human Services Office of Inspector General, Office of Audit Services draft report entitled "Audit of the Youth Shelters and Family Services' Transitional Living Program Grant (06-CX-0491)".

I appreciate the feedback and your auditors, Sylvie Witten and Frank O'Loughlin, were extremely helpful and user friendly. My comments to the draft conclusions are as follows:

- 1. YSFS does not have procedures in place to minimize the time elapsing between the transfer of Federal funds and the subsequent disbursement of these funds as required by Federal regulations.**

YSFS has significantly changed accounting procedures since the audited years (1996/99). As of FY 2000, Federal funds are drawn down, expended and tracked by grant and program. There is minimal time lapse between transfer and disbursement.

- 2. The information reported on the SF-269 financial reports submitted to ACF was inaccurate for 2 of the 3 FYs of this grant.**

This has been a long term problem between YSFS and components of the Federal ACF funding process. Financial reports consist of two components: the SF-269s and the 272s. The SF-269s are completed and sent to Dallas. The 272s are completed and sent to the Payment Management System (PMS). PMS and the Dallas HUB office apparently do not have any mechanism to reconcile drawdowns and reports or to share information. The 272s sent to PMS and the 269s sent to Dallas are not compared and there is not any kind

of overview or check and balance between the two offices. Therefore, we have no way of knowing when discrepancies occur. It is necessary to have the 272s completed accurately in order to have the 269s reports be accurate, but there is no mechanism for Dallas to determine whether the reports reconcile or are accurate.

The result of operating in a vacuum is that we have consistently had difficulty receiving technical assistance from PMS to reconcile the drawdowns. The 272s are used as a paper trail for the two step withdrawal process where funds are disbursed and then drawn down. All Federal contract funds are in one PMS account and show one balance. This is problematic since there are three contracts with different contract years and PMS shows balances from inactive contracts dating back quite some time.

The 272s are sent to PMS and it is our experience that they are frequently lost and have to be re-faxed. After numerous conversations with PMS, we are still unable to understand and reconcile the drawdowns. When we have thought it was finally resolved the balances have ended up inconsistent with PMS. The process with the 272s and drawdowns is confusing, the technology is cumbersome and for the last two years we have been unsuccessful in our attempts to get effective technical assistance from PMS. Requests for assistance from the HUB office have been referred back to PMS.

This problem was discussed extensively with the DHHS auditors. Since the audit we have a new Finance Manger who has spent a great deal of time with PMS attempting to reconcile the contract accounts. This is our third finance person since 1999 to attempt to reconcile the accounting. To date, any letters or requests for assistance have been disregarded.

YSFS will continue to attempt to reconcile the accounts with PMS. The Dallas HUB office has assured us that the 269s are in compliance.

3. YSFS maintained periodic account balances of over \$100,000 in one bank.

YSFS is in the process of opening additional accounts to segregate funds by source (i.e., Federal, State, cash donations), which will remedy this situation.

4. YSFS does not have a system in place to track fixed assets purchased with Federal funds.

Until October, 1999, YSFS did not have any purchases of fixed assets with Federal funds. Fixed assets are maintained in a paper file and at the end of the year the independent auditor depreciates assets. A \$5,500 expenditure of ACF RHYA Street Outreach funds for a vehicle in October, 1999, is in the file. This was addressed by our independent auditor during the 1999/2000 internal audit.

If you have any questions or comments please feel free to call me.

Sincerely,



Karen Keene
Executive Director