DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

January 25, 2002

Common Identification Number: A-06-01-00086

Mr. Bruce Fisher
Executive Director
Huckleberry Youth Programs
3310 Geary Boulevard
San Francisco, California 94118

Dear Mr. Fisher:

Enclosed are two copies of the U. S. Department of Health and Human Services, Office of Inspector General (OIG), Office of Audit Services (OAS) final report entitled "Audit of the Administration for Children and Families' Grant (09CY2073) to the Huckleberry Youth Programs for Its Huckleberry House Basic Center for Runaway and Homeless Youth." 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. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-06-01-00086 in all correspondence relating to this report.

Sincerely yours,

Antonio D. Wilkinson

for

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosure- as stated

Direct Reply to HHS Action Official:

Ms. Sharon M. Fujii
Regional Hub Director
Administration for Children and Families
U.S. Department of Health and Human Services
50 United Nations Plaza, Room 450
San Francisco, California 94102

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

AUDIT OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES' GRANT TO THE HUCKLEBERRY YOUTH PROGRAMS FOR ITS HUCKLEBERRY HOUSE BASIC CENTER FOR RUNAWAY AND HOMELESS YOUTH (09CY2073)

JANET REHNQUIST
Inspector General

JANUARY 2002
A-06-01-00086

Office of Inspector General

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.

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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.

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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.

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

AUDIT OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES' GRANT TO THE HUCKLEBERRY YOUTH PROGRAMS FOR ITS HUCKLEBERRY HOUSE BASIC CENTER FOR RUNAWAY AND HOMELESS YOUTH (09CY2073)

JANET REHNQUIST
Inspector General

JANUARY 2002
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NOTICES

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

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the OAS. Final determination on these matters will be made by authorized officials of the HHS divisions.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

January 25, 2002

Common Identification Number: A-06-01-00086

Mr. Bruce Fisher
Executive Director
Huckleberry Youth Programs
3310 Geary Boulevard
San Francisco, California 94118

Dear Mr. Fisher:

This report provides you with the results of our audit of the Administration for Children and Families' (ACF) grant (09CY2073) to the Huckleberry Youth Programs for its Huckleberry House (HH) Basic Center for Runaway and Homeless Youth. This grant covered the 3-year period September 1, 1997 through August 31, 2000. The objectives of the audit were to determine if HH: (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 HH was able to achieve all objectives of the Basic Center for Runaway and Homeless Youth grant. In addition, HH is generally able to manage and account for Federal funds. However, there were some weaknesses in internal controls and compliance with the terms and conditions of the grant. As a result, HH:

- allocated expenditures totaling $2,783 (see Appendix A) to the grant for costs that were not in accordance with the terms and conditions of the grant or were unallowable by Federal regulation;
- did not submit Standard Form 269 (SF-269) financial reports to ACF timely; and
- maintained periodic account balances of over $100,000 in one bank account. Amounts exceeding $100,000 are not insured though the Federal Deposit Insurance Corporation (FDIC).

We are recommending that HH refund $2,783 to the Federal Government for costs allocated to the grant that were not in accordance with the terms and conditions of the grant or were unallowable by Federal regulation. In addition, we are recommending that HH develop and implement policies and procedures to strengthen its internal controls.

In its response to our draft report, HH did not agree with certain of the questioned costs and provided some additional information to consider regarding these costs. After considering this additional information we revised the amount of questioned costs. (See Appendix A.) The HH also provided information on steps it is taking to comply with one of the recommendations, asked for technical assistance in implementing another recommendation and did not respond to one recommendation. See Appendix B for a complete copy of HH's response.

Background

The HH is a private nonprofit organization founded in 1967 as a community response to the growing numbers of runaway youth who came across the country to live on the streets of San Francisco's Haight Ashbury District. Its program became a national model as the first licensed shelter in California and the recipient of one of the first grants from the Basic Center Program (BCP) administered by ACF. The BCP provides financial assistance to establish or strengthen community-based programs that address the immediate needs of runaway and homeless youth and their families. The central purpose of these programs is to provide youth with emergency shelter, food, clothing, counseling and referrals for health care. The basic centers seek to reunite young people with their families, whenever possible, or to locate appropriate alternatives placements.

The ACF awarded HH a grant for the project period September 1, 1997 through August 31, 2000 in the amount of $450,000 ($150,000 for each of the 3 years). The grant was awarded to provide effective services to runaway and homeless youth. These services include targeted outreach, 24-hour intake/assessment, temporary shelter, crisis intervention/resolution, counseling, referrals, advocacy and support for service linkages, and comprehensive aftercare/follow-up.

Objectives, Scope, and Methodology

The objectives of this audit were to determine if HH: (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 HH officials to obtain an understanding of HH's basic center program, its internal control structure and its ability to manage and account for Federal funds;

- examined HH's grant proposal, progress reports, client case files and other supporting documentation to determine whether HH achieved the grant objectives;

- reviewed selected controls to determine if they were sufficient to prevent expenditures that were 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 HH's 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 HH was capable of managing and accounting for Federal funds.

The HH Basic Center for Runaway and Homeless Youth grant (09CY2073) 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 HH's office in San Francisco, California in August 2001.

RESULTS OF REVIEW

Program Results

Based on our review of HH's progress reports, client case files and other supporting documentation, we determined that HH was able to achieve the grant objectives. Additionally, grant progress reports were submitted timely.

In 1997, HH changed the way it counted youth intakes by only including those clients who actually came to HH for services instead of also including telephone contacts. However HH failed to modify the performance measures contained in this grant to account for this change. Therefore, HH used an unrealistic number of youth intakes as the basis for the majority of the grant objectives. As a result, HH was unable to achieve all of the objective's numerical outcomes as established in the grant. However, HH was providing runaway and homeless youth with the services outlined in the grant and made reasonable efforts toward the outcomes as established.

Fiscal Accountability

The HH's accounting policies and procedures, internal control structure and accounting records are generally adequate to manage and account for Federal funds. However, there were some weaknesses in internal controls and compliance with the terms and conditions of the grant. As a result, several deficiencies were found.

Procedures were not in place to ensure that all costs charged to the grant were in accordance with the terms and conditions of the grant and Federal regulations. As a result, inappropriate charges totaling $2,783 were made to the grant.

The budget justification for HH's grant application states that it does "not allocate to federal funding any mortgage payments or any costs of purchase, depreciation or replacement of capitalized equipment". Based on the initial information provided, it appeared that HH mortgage payments were charged to the grant. However, in its response to our draft report, HH provided additional information that these expenditures were use allowances, and that HH had exceeded its use allowance by $1,626. In addition, HH allocated $1,033 in van depreciation expense to the grant and on several occasions allocated late fees and parking violations totaling $124.

The HH budget justification also did not mention rent for two other facilities used by the basic center. We originally questioned the portion of the rent for these facilities that was charged to the grant. However, in its response to our report, HH provided additional information regarding these costs and these costs are no longer being questioned.

The HH did not submit SF-269 financial reports to ACF timely. Federal regulations require that SF-269s be submitted no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports and 90 calendar days for annual and final reports. However, HH was at least 2 weeks late submitting each semi-annual report and one final report.

The HH 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. This is contrary to Federal requirements and good management practices.

Conclusion and Recommendation

The HH was able to successfully complete all of the objectives of the Basic Center for Runaway and Homeless Youth grant. However, we recommend that HH ensure that future grant objectives and methods of measuring performance are consistent.

The HH is generally able to manage and account for Federal funds. However, there were several deficiencies which indicated a need for improvement in internal controls and compliance with the terms and conditions of the grant.

We recommend that HH refund $2,783 to the Federal Government for costs allocated to the grant that were not in accordance with the terms and conditions of the grant or were unallowable by Federal regulation. In addition, we recommend that HH strengthen its internal controls by:

- developing procedures to ensure that costs which are unallowable by Federal regulation are not allocated to the grant;

- developing policies and procedures to ensure all costs allocated to the grant are in accordance with the terms and conditions of the grant and detailed in the budget justification;

- ensuring that SF-269 financial reports are submitted timely to ACF; and

- developing controls to assure that the cash balances in any one bank account do not exceed $100,000.

AUDITEE COMENTS AND OIG RESPONSE

Auditee Comments

In its response to our draft report, HH provided additional information regarding the mortgage costs, now explaining that the expenditures are use allowances, but that HH had exceeded its use allowance by $1,626. In addition, HH took exception to the questioned rent cost, stating that if HH had described these costs in its budget justification we would not have questioned it. However, HH agreed with the findings relating to the van depreciation, late fees and fines and the need to file SF-269s in a timely manner. The HH also asked for technical assistance regarding having periodic bank balances in excess of $100,000. The HH did not respond to the recommendation to ensure that future grant objectives and methods of measuring performance are consistent. See Appendix B for a complete copy of HH's response.

OIG Response

With the additional information HH has now provided relating to the mortgage cost being use allowances, we agree that these charges are allowable, and that HH needs to refund the $1,626 in use allowances that were charged to the grant in excess of what was allowable. We also agree that if HH had identified the cost of rent for the two facilities in its budget justification, we would not have questioned it. However, we still feel that in future grant applications, the budget justifications should fully describe these costs since they are so significant to the operation of HH. The technical assistance HH is seeking regarding the periodic bank balances exceeding $100,000 should be addressed with ACF. In addition, we still feel the recommendation to ensure that future grant objectives and methods of measuring performance are consistent is valid and should be implemented by HH.

Sincerely,

Antonio D. Wilkinson

For Gordon L. Sato
Regional Inspector General
for Audit Services

APPENDICES

SUMMARY OF QUESTIONED COSTS

Cost Categories	Questioned Costs Per Audit	Adjustments Per Auditee Response	Final Questioned Costs
Mortgage	$ 20,380	$(20,380)	$ 0
Use Allowance		1,626	1,626
Rent	5,045	(5,045)	0
Depreciation	1,033	0	1,033
Fines and Penalties	124	0	124
Totals	$ 26,582	$(23,799)	$2,783

HUCKLEBERRY YOUTH PROGRAMS

ADMINISTRATIVE OFFICES
3310 Geary Boulevard
San Francisco, CA 94118
415.668.2622
Fax: 415.668.0631
www.huckleberryyouth.org

SAN FRANCISCO SERVICES
Huckleberry House
1292 Page Street
San Francisco, CA 94117
415.621.2929
Fax: 415.621.4758

Huckleberry Youth Services
at Cole Street Clinic
555 Cole Street
San Francisco, CA 94117
415.386.9398
Fax: 415.386.8212

Community Assessment &
Referral Center (CARC)
121 Leavenworth Street
San Francisco, CA 94102
415.567.8078
Fax: 415.567.8226

MARIN SERVICES
Nine Grove Lane Shelter
9 Grove Lane
San Anselmo, CA 94960
415.453.5200
Fax: 415.453.8418

Huckleberry Teen
Health Program
Montecito Plaza
361 Third Street, Suite G
San Rafael, CA 94901
415.258.4944
Fax: 415.258.4943

December 10, 2001

Gordon L. Sato
Regional Inspector General for Audit Services
Office of Audit Services
1100 Commerce, Room 6B6
Dallas TX 75242-1027

Common Identification Number: A-06-01-00086

Dear Mr. Sato:

We have received copies of your draft report entitled "Audit of the Huckleberry Youth Programs' Huckleberry House Basic Center for Runaway and Homeless Youth Grant (09CY2073)." The audit covered the three-year period from September 1, 1997 to August 31, 2000. This is our formal response.

The report alleges weaknesses in internal controls and some failures to comply with the terms and conditions of the grant, and asserts the following consequences:

1. Allocation of expenditures totaling $26,582 to the grant for costs which were not in accordance with the terms and conditions of the grant or were unallowable by Federal regulation. Specifically, the auditors challenged the following expenditures:
   (a) Huckleberry House mortgage payments - $20,380
   (b) Van depreciation - $1,033
   (c) Rent at Huckleberry House's Counseling Annex and at the Cole Street Youth Clinic - $5,045
   (d) Fines and late fees - $124
2. Late filing of Standard Form 269
3. Maintenance of bank account balances in excess of $100,000

The report then makes the following recommendations:

1. Refunding $26,582 to the Federal Government;
2. Developing procedures to ensure that costs which are unallowable by Federal regulation are not allocated to the grant;
3. Developing policies and procedures to ensure that all costs allocated to federal grants are in accordance with the terms and conditions of the grants;
4. Ensuring that SF-269 financial reports are submitted timely to ACF; and
5. Developing controls to assure that the cash balances in any one bank account do not exceed $100,000.

The following response addresses each of the consequences of the identified internal control weaknesses and compliance failures.

1 (a). Expenditure of $20,380 for the Huckleberry House mortgage.

The expenditures in question are use allowances, allowable under OMB Circular A-122, Section 11. Each month, we debit a "Space Allocation" account in our Operating Fund, and credit a "Space Allocation Revenue" account in our Property, Plant and Equipment Fund, where we account for the acquisition and depreciation of capitalized items, as well as mortgages and leases. No Huckleberry House mortgage payment, or any portion of a mortgage payment, has ever been charged to the Basic Center grant.

However, in the second and third year of the audited grant, the use allowances charged to the federal government slightly exceeded the 2% allowable charge. I have attached a worksheet that compares the amount charged to the amount allowable for each year of the grant period. We overcharged the federal grant by $776.58 in Year 2 and $852.05 in Year 3. We agree to refund these overcharges.

We would like to point out, however, that during the three-year period in question, Huckleberry Youth Programs allocated $195,030 in allowable and appropriate Office and Occupancy expenses to our unrestricted fund. Had we allocated our use fees to the unrestricted fund and other Office and Occupancy costs to the federal grant, there would be no question of refunding the money. The error, therefore, is essentially technical.

1 (b). Expenditure of $1,033 for depreciation of the agency van.

These expenditures are also use allowances, debiting "Van Fees" in our Operating Fund and crediting "Van Fee Revenue" in our Property, Plant and Equipment Fund. In this case, however, the vehicle had been fully depreciated before the beginning of the Basic Center grant, and charging the federal government a use fee was an error. We agree to refund the overcharge.

1 (c). Expenditure of $5,045 for rent at the Huckleberry House Counseling Annex and the Cole Street Youth Clinic.

The auditors' report finds that "the budget justification does not mention the rent for two other facilities used by the basic center," and concludes that the expense is not in accordance with the terms and conditions of the grant. But the Huckleberry House program has been, for many years, a continuum of services including shelter, counseling, and health promotion. Runaway youth sheltered at Huckleberry House, and their families, receive counseling at an adjacent, rented office. The case managers and health educators who provide services to Huckleberry House clients, as well as the Department of Public Health staff who provide medical services, are housed a short distance away at the Cole Street Youth Clinic. The services described in our grant application would be much more difficult to provide, and more expensive, without these ancillary sites. It is hard to understand, therefore, how the expenses of these sites are not in accordance with the terms and conditions of the grant.

It is true that the budget justification does not explicitly and separately list the Annex and Clinic rent. The narrative description of the Office and Occupancy budget category identifies the expense as "the Huckleberry House mortgage, telephone, postage, printing, equipment and <u>similar</u> <u>costs</u>" (emphasis added). But the budgeted <u>amount</u> in this category includes Office and Occupancy expenses at both ancillary sites. Had our description of this category been more detailed, and explicitly mentioned the counseling and clinic rent, it is hard to imagine that the budget would have been questioned or that the expenditures would have been challenged.

1 (d). Expenditure of $124 on late fees and fines.

Prior to this audit, expenditures such as late fees and fines were accounted in a category called Licenses and Fees. In the adjusting process at the end of each grant year, the entire balance in this account would be sometimes be transferred to the Basic Center grant account. Unallowable expenses would thereby be charged to the grant. We have since created an account called Penalties and Fines, and our bookkeeper has been trained to allocate every expense in that account to unrestricted funding.

We accept the auditors' recommendation that this money be refunded.

2. Late filing of SF-269

Timely preparation of our SF-269 has become more difficult as our agency has grown. The final accrued payroll each month is distributed on the 10th of the following month, at which point we can begin to allocate that payroll, post expenses, recognize revenue from dozens of restricted grants, and prepare financial statements and reports. At best, we have been able to produce financial statements and begin preparing reports by the 20th. Even then, insuring that the SF-269 is complete by the last day of the month has been difficult.

Despite considerable pressure on our budget, we are currently advertising for a part-time bookkeeper to augment our accounting staff. We anticipate that this additional help, after he or she is trained, will make it possible to file the SF-269 in a timely manner.

3. Bank balances in excess of $100,000

Huckleberry Youth Programs' semi-monthly payroll exceeds $100,000. The administrative burden of maintaining accounts at separate institutions, and managing the movement of funds among them in such a way that transfers to our payroll account always occur on exactly the right day, has always seemed to outweigh the benefit of FDIC insurance. We would appreciate technical assistance in this matter.

Summary

In response the auditor's recommendations, we propose the following:

- Huckleberry Youth Programs (HYP) will refund $2,785.63 to the Federal Government;
- HYP has developed procedures to ensure that costs which are unallowable by Federal regulation are not allocated to the grant;
- HYP has developed policies and procedures to ensure that all costs allocated to the grant are in accordance with the terms and conditions of the grant;
- HYP is undertaking an expansion of its accounting department with the expectation that we will be able to submit SF-269 financial reports in a timely manner; and
- HYP has requested technical assistance in the matter of managing its bank balances.

Sincerely,

Bruce Rice
Fiscal Director

Huckleberry Youth Programs, Inc.

Use fees charged to Basic Center grant: September 1, 1997 - August 31, 2000

date	charge	allowable	Basis	
Sep-97	565.00	683.30	Page Street	150,337.58
Oct-97	565.00	683.30		
Nov-97	565.00	683.30	Improvements	
Dec-97	565.00	689.98	9/97	259,643.41
Jan-98	565.00	689.98	12/97	263,647.92
Feb-98	565.00	689.98	5/98	265,833.36
Mar-98	565.00	689.98	3/00	266,060.86
Apr-98	565.00	689.98	6/00	266,113.36
May-98	565.00	693.62		
Jun-98	565.00	693.62		
Jul-98	750.00	693.62		
Aug-98	750.00	693.62		
Total	**7,150.00**	**8,274.26**		
Sep-98	750.00	693.62		
Oct-98	750.00	693.62		
Nov-98	750.00	693.62		
Dec-98	750.00	693.62		
Jan-99	750.00	693.62		
Feb-99	750.00	693.62		
Mar-99	750.00	693.62		
Apr-99	750.00	693.62		
May-99		693.62		
Jun-99		693.62		
Jul-99	1,550.00	693.62		
Aug-99	1,550.00	693.62		
Total	**9,100.00**	**8,323.42**	**Error**	**776.58**
Sep-99	590.00	693.62		
Oct-99	590.00	693.62		
Nov-99	590.00	693.62		
Dec-99	590.00	693.62		
Jan-00	590.00	693.62		
Feb-00	590.00	693.62		
Mar-00	590.00	694.00		
Apr-00	-	694.00		
May-00	-	694.00		
Jun-00	-	694.08		
Jul-00	3,848.98	694.08		
Aug-00	1,196.49	694.08		
Total	**9,175.47**	**8,325.96**	**Error**	**849.51**