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March 9, 2001

2001-FW-1803

MEMORANDUM FOR: Katie Worsham
Director
Office of Community Planning and Development, 6AD

/Signed/

FROM: D. Michael Beard
District Inspector General for Audit, 6AGA

SUBJECT: AIDS Foundation Houston, Inc.
Supportive Housing Program Grant TX21B97-1304
Houston, Texas

As part of a nationwide review of HUD's Continuum of Care Program, we audited AIDS Foundation Houston, Inc.'s (Foundation) 1997 supportive housing program grant #TX21B97-1304. Our audit objectives were to determine whether the Foundation: (1) maintained adequate management controls; (2) implemented its grant in accordance with its application; (3) expended funds for eligible activities under federal regulations and applicable cost principles; (4) maintained evidence of measurable results; (5) leveraged HUD funds adequately; (6) expended funds timely; (7) expended funds for leasing in compliance with federal regulations; (8) met the federal requirements for supportive service costs; and (9) met the federal requirements for operating costs.

To accomplish our objectives, we reviewed applicable criteria, including Office of Management and Budget Circular A-122, "Cost Principles for Non-Profit Organizations" (Circular A-122); interviewed HUD, the Foundation, and subgrantee (Partner) officials; visited transitional housing locations; reviewed and analyzed the Foundation's participant files; reviewed and analyzed the Foundation's and seven Partners' financial records; and reviewed the Foundation's policies and procedures manual, grant application, grant agreement, technical submission, and annual progress reports.

Our audit concluded that, while the Foundation and its Partners generally implemented grant activities consistent with its grant application, it expended funds for ineligible and unsupported activities and did not comply with federal cost requirements. The Foundation maintained evidence of measurable results, leveraged HUD funds adequately, expended funds timely, and met federal requirements related to leasing. Additionally, the Foundation provided sufficient technical assistance to its Partners and reviewed their single audit reports and monthly expense reports.

However, of the \$397,395 grant funds audited, the Foundation expended \$69,369 on ineligible or unsupported activities. The Foundation reimbursed Building Lives Offering Community Knowledge (the BLOCK), a Partner, \$14,888 in ineligible payroll, office supplies, telephone costs, and mileage costs. The ineligible costs included \$13,090 that the BLOCK charged to two grants.¹ Additionally, the Foundation reimbursed the BLOCK \$27,203 for unsupported payroll, office supplies, telephone, and mileage costs.

The Foundation drew down \$27,278 for ineligible costs, including \$23,089 for administrative costs, \$2,706 for an ineligible participant, and \$1,483 for a computer and non-participant transportation costs. The Foundation did not maintain sufficient documentation to support the homelessness eligibility of all 17 participants that we tested.²

Of the \$69,369 in ineligible and unsupported costs, the Foundation directly incurred \$27,278 while the BLOCK incurred \$42,091. Due to HUD's agreement with the Foundation, we recommend that HUD require the Foundation to repay or support those amounts.

We also recommend that HUD require the Foundation to revise its monitoring procedures to prevent the future allocation of ineligible costs to federal grants. Also, HUD should seek administrative sanctions against the BLOCK and its Executive Director for submitting two sets of time sheets and for double-billing office supplies and telephone costs to two grants.

HUD should additionally require the Foundation to provide evidence that its grant participants met eligibility requirements and reimburse HUD for costs of participants whose eligibility cannot be supported. The Foundation should obtain and verify the necessary information to determine participant eligibility for current and future HUD grants.

We discussed the audit results with the Foundation's Deputy Executive Director on November 17, 2000. The Foundation generally agreed with the findings and acknowledged problems with the BLOCK. However, it did not agree that it served ineligible individuals. The Foundation provided additional documentation subsequent to our meeting. We modified the report as needed.

Within 60 days please give us, for each recommendation made in this memorandum report, a status report on: (1) corrective action taken; (2) proposed corrective action and date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directive issued because of this audit.

¹ The two grants were the 1997 Supportive Housing Program Grant #TX21B97-1304 received through AIDS Foundation and Housing Opportunities For People With AIDS (HOPWA) Grant #TX21H99-F003 received through the City of Houston.

² Upon inquiry, the Foundation obtained the necessary documentation to support the homelessness status of 16 of the 17 participants. The Foundation could not support the eligibility of the other participant.

If you have any questions, please call me or William Nixon, Assistant District Inspector General for Audit, at (817) 978-9309.

Attachment

Background.

Title IV of the Stewart B. McKinney Homeless Assistance Act authorized HUD's Continuum of Care supportive housing programs. HUD designed this grant to promote the development of supportive housing and services. The grant encouraged the use of innovative approaches to assist homeless persons and to provide supportive housing to enable them to live as independently as possible. Eligible activities include: (1) transitional housing; (2) permanent housing for homeless persons with disabilities; (3) innovative housing that meets the immediate and long-term needs of homeless persons; and (4) supportive services for homeless persons not provided in conjunction with supportive housing.

The Foundation's office is located at 3202 Wesleyan Annex near downtown Houston, Texas. The Foundation is a nonprofit community service corporation. It was created during 1982 in response to community health problems resulting from Acquired Immunodeficiency Syndrome (AIDS). The Foundation arranged to educate high-risk individuals, citizens, and health care professionals about AIDS; to promote health and prevention of the disease; and to provide supportive services to people affected by AIDS and their families.

Building Lives Offering Community Knowledge (the BLOCK) is a Texas nonprofit corporation. The BLOCK's office is located at 12707 Cullen, Houston, Texas. The BLOCK provided outreach, HIV³/AIDS testing, and pre-test/post-test counseling to homeless individuals. Additionally, it offered managed referrals to homeless individuals being released from the Houston and Harris County jails and to those on the street, in emergency shelters, or in encampments not visited by SEARCH, another homeless provider. The BLOCK planned to employ two additional full-time equivalent outreach workers to fulfill its grant activities.

Grant Funds Awarded.

| Type of Services | Grant Funds Awarded ⁴ |
|---------------------|----------------------------------|
| Leasing | \$ 375,541 |
| Supportive services | 2,056,730 |
| Operations | 425,485 |
| Administrative | 142,889 |
| Total | \$3,000,645 |

Under the \$3,000,645 grant, the Foundation established a program called Project LifeRoad for HIV positive homeless individuals. HUD executed the 2-year grant agreement on July 29, 1998. The grant agreement incorporated the Foundation's application. According to its application, the Foundation agreed to provide housing and housing-based supportive services. HUD also awarded the Foundation a 1999 Supportive Housing Program grant of \$1,596,325 to continue Project LifeRoad.⁵

³ HIV stands for Human Immunodeficiency Virus.

⁴ Funds were awarded for the entire grant period of August 1, 1998, through July 31, 2000.

⁵ We did not audit this grant.

Grant Activities.

| Activity | Agency |
|--|---|
| Intake, monitoring, case management coordination, benefits/resources counseling, project management, and project administration | The Foundation |
| Outreach, HIV/AIDS testing, pre-test/post-test counseling, and managed referrals | The Foundation and the BLOCK |
| Stabilization housing and needs assessment/service plan development | CASA de Ninos, Inc. |
| Supportive housing for AIDS infected women and their children | A Friendly Haven |
| Transitional supportive housing | Steven's House and Milam House |
| Supportive services including counseling, dental care, health care, an adult day program, job training, employment, rental assistance, and household furnishings | CASA de Ninos, Inc., Vita-Living, Inc., Bering Community Service Foundation, and People With AIDS Coalition |

Grant goals.

The Foundation set the following supportive housing goals for Project LifeRoad:

- 62 households per year will enroll in a residential and supportive services program.
- 50 households per year will remain in the program for at least 12 months.
- 28 households per year will graduate from the program and exit to independent or subsidized housing.
- On-going case management and supportive services will be available to 100 percent of the graduates and will be accessed by an estimated 60 percent.

During the 2-year grant term, the Foundation planned to provide assistance for 124 individuals (60 individuals with families and 64 individuals without families). The Foundation provided assistance for 145 individuals during the grant period. However, it assisted only 17 individuals with families. The remaining 128 were individuals without families.

Audit Objectives, Scope, and Methodology.

Our audit objectives were to determine whether the Foundation: (1) maintained adequate management controls; (2) implemented its grant #TX21B97-1304 in accordance with its application; (3) expended funds for eligible activities under federal regulations and applicable cost principles; (4) maintained evidence of measurable results; (5) leveraged HUD funds adequately; (6) expended funds timely; (7)

expended funds for leasing in compliance with federal regulations; (8) met the federal requirements for supportive service costs; and (9) met the federal requirements for operating costs.

To accomplish our objectives, we reviewed applicable criteria, including Office of Management and Budget Circular A-122, "Cost Principles for Non-Profit Organizations" (Circular A-122); interviewed HUD, the Foundation, and Partner officials; visited transitional housing locations; reviewed and analyzed the Foundation's participant files; reviewed and analyzed the Foundation's and seven Partners' financial records; and reviewed the Foundation's policies and procedures manual, grant application, grant agreement, technical submission, and annual progress reports.

We sampled Line of Credit Control System (LOCCS) accounting drawdowns and program participant files for the audit. Using a table of random numbers, we selected 15 LOCCS drawdown requests from a total population of 98, or 15.31%, during the period August 26, 1998,⁶ through July 17, 2000. The sample consisted of drawdowns totaling \$397,395 or 16.74 percent of \$2,373,709 drawn down from grant funds. Due to instances of noncompliance by the BLOCK, we expanded the audit to include all expenditures⁷ reimbursed to the BLOCK from grant funds.

For participant files, we randomly selected 10 out of 77 participants from the first year of the grant using the Foundation's list of participants. We judgmentally selected an additional seven participant files because none of the ten files had documents supporting homelessness as required by HUD. We selected the seven participants from a list of eight remaining participants who obtained permanent housing and left the program. Overall, we tested 17 out of 145 (11.72 percent) participants.

We performed audit work at the Foundation and nine Partner locations⁸ for the period August 1, 1998, through July 31, 2000. We performed our audit between July 19, 2000, and November 17, 2000, with additional audit work on December 15, 2000. We conducted our audit in accordance with generally accepted government auditing standards.

The Foundation Reimbursed the BLOCK \$42,091 for Ineligible and Unsupported Supportive Service Costs.

Due to inaccurate reports submitted by the BLOCK, the Foundation paid the BLOCK \$14,888 in ineligible and \$27,203 in unsupported costs incurred between August 1, 1998, and July 31, 2000.

⁶ This was the first grant drawdown.

⁷ Period of August 1, 1998, through July 31, 2000.

⁸ The Partners were A Friendly Haven, The Arrow Project, The BLOCK, CASA de Nino, Milam House, Omni, People With AIDS Coalition, Steven's House, and Vita-Living.

Summary of Ineligible and Unsupported Costs.

| Description of Expenditure | Ineligible Amount | Unsupported Amount |
|--|--------------------------|---------------------------|
| Costs billed to both Houston's HOPWA grant and Project LifeRoad. | \$13,090 | |
| Executive Director's salary paid for hours not worked | 388 | |
| Program Director's salary | | \$18,679 |
| Mileage for the Executive Director and his son; office supplies; and telephone costs | 1,410 | 8,524 |
| Total | \$14,888 | \$27,203 |

The BLOCK's Executive Director believes he can charge any costs incurred to any grant. For example, the Executive Director double-charged his salary to two grants. Additionally, he did not require his staff to report job activities on their time cards and did not implement policies and procedures for reporting expenditures from each grant separately.

Furthermore, the BLOCK did not have an accounting system in place to separate costs of outreach workers approved by the grant agreement from costs of other staff. As a result, HUD spent funds on activities that the BLOCK cannot identify as benefiting homeless individuals of Project LifeRoad.

The Foundation paid the BLOCK \$13,090 for costs paid from HOPWA grant funds.

The BLOCK billed \$13,090 to both the HOPWA⁹ grant and Project LifeRoad for its Executive Director's salary, office supplies, and telephone costs incurred between June 29, 1999, and July 31, 2000. The ineligible costs included payments of \$10,796 for the Executive Director's Salary; \$1,476 for office supplies; and \$818 for telephone costs. The grant also paid for the Executive Director's mileage.

Circular A-122 prohibited the BLOCK from claiming a cost of Project LifeRoad that it "...included as a cost...of any other federally-financed program." Additionally, Circular A-122 required the BLOCK's time sheets to "...account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization." Those time sheets must "...reflect an *after-the-fact* [emphasis added] determination of the actual activity of each employee."

⁹ HOPWA Grant #TX21H99-F003 received through the City of Houston.

The Foundation reimbursed the BLOCK \$10,796 from grant funds for the Executive Director's salary paid from HOPWA funds.

From July 24, 1999, through July 31, 2000, the BLOCK's Executive Director inappropriately reported working for both the HOPWA grant and Project LifeRoad at the same time by using two sets of time sheets. According to his time sheets, the Executive Director worked for the HOPWA grant from 9:00 a.m. to 5:00 p.m. on the same days that he worked for Project LifeRoad from 8:30 a.m. to 5:00 p.m. HOPWA reimbursed the BLOCK \$10,796 for the Executive Director's salary. During the same time period, Project LifeRoad paid the Executive Director's salary of \$20,927. Therefore, both grants double paid at least \$10,796 of the Executive Director's salary. Furthermore, the Executive Director violated the grant agreement by not dedicating 100 percent of his time to grant participants.

The Executive Director believed he benefited participants of both grants at the same time because he constantly dealt with both programs on a daily basis. Therefore, he was continually going from one program to another. We do not agree that the Executive Director benefited participants of both programs at the same time. Even though both programs serve HIV positive individuals, they do not have the same purposes. Project LifeRoad provides housing and supportive services to homeless individuals while the HOPWA grant gives rental assistance to individuals with AIDS that may or may not be homeless. Therefore, the programs do not serve the same population.

The Foundation reimbursed the BLOCK \$1,476 for office supplies and \$818 for telephone costs paid from HOPWA funds.

Similarly to the Executive Director's salary, the BLOCK billed both the HOPWA grant and Project LifeRoad for \$2,294 in office supplies and telephone costs incurred between June 29, 1999, and July 31, 2000. As a result, the Foundation used grant funds to reimburse the BLOCK for expenditures paid under another grant.

The Foundation paid the BLOCK \$388 for the Executive Director for time not worked.

For the 2-week payroll period ended July 16, 1999, the Executive Director used \$775 in grant funds to pay himself for 80 hours even though the time reported on his time sheet totaled 40 hours, an ineligible cost of \$388. The Executive Director's time sheet contained contradictory information. Even though the Executive Director reported working from 9:00 a.m. through 1:00 p.m. (4 hours) for 10 days, he reported 8 hours each day. As a result, the Executive Director billed the grant for time that he did not work.

Circular A-122 required that "Charges to awards for salaries and wages..." must "...be based on documented payrolls."

The Foundation paid the BLOCK \$18,679 for the Program Director's salary for time not documented.

Between August 1, 1998, and July 31, 2000, the Foundation used outreach grant funds to pay the BLOCK \$18,679 for its Program Director's salary, even though the Program Director could not support time spent on outreach activities. In addition to outreach activities, the Program Director performed all Project LifeRoad's accounting work for the BLOCK. However, the BLOCK charged 100 percent of her salary to Project LifeRoad for outreach services.

Circular A-122 required that each time sheet must "...account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization." Those time sheets must reflect "...the distribution of activity of each employee." Additionally, each time sheet "...must reflect an *after-the-fact* [emphasis added] determination of the actual activity of each employee."

The grant budget authorized the BLOCK to pay for two outreach workers under the supportive service line item. It did not authorize the BLOCK to pay for its administrative costs of providing accounting services. The Foundation instructed the BLOCK on Circular A-122's requirements for reporting time spent on different activities. However, the BLOCK did not comply with those requirements.

The Program Director did not keep activity reports that separated actual time spent on outreach activities from time spent on accounting activities. Instead, she only reported total hours on a daily basis. As a result, the BLOCK's records did not support the Program Director's salary paid from Project LifeRoad's outreach supportive service funds.

The incomplete time reports did not show how many hours the Program Director spent on outreach activities. Further, the Program Director could not provide any documents (calendars, etc.) to support the hours spent on those activities. For periods that the Program Director claimed outreach mileage, we allowed payments from grant funds. However, her personnel file did not indicate that the BLOCK hired her to do outreach work. Furthermore, her title does not appear appropriate for the position of outreach worker. Therefore, the BLOCK could not support \$18,679 of its Program Director's salary paid from grant funds.

The Foundation paid the BLOCK \$1,410 ineligible and \$8,524 unsupported supportive service costs.

The Foundation paid the BLOCK \$1,410 for ineligible mileage claimed by its Executive Director and his son.¹⁰ Additionally, it paid \$8,524 in unsupported costs consisting of \$6,668 in mileage for the Executive Director's son, \$49 in office supplies, and \$1,807 in telephone costs.

¹⁰ The Executive Director's son was an employee of a temporary agency working for the City of Houston's HIV Prevention Program.

Circular A-122 required direct costs to be "...incurred specifically for the award." The grant's budget authorized the BLOCK to pay for office supplies and telephone costs from supportive service funds. According to the technical submission, "...supportive service funds may be used to pay for the actual costs of supportive services and other costs directly associated with providing such services."

Ineligible mileage.

Using grant funds, the Foundation paid the BLOCK \$1,410 in ineligible mileage for its Executive Director and his son. During July and August 1999, the Executive Director and his son claimed \$848 in ineligible mileage for a rental car. HOPWA grant funds¹¹ paid for a portion of the car rental. Because HOPWA funds paid for the car rental, it appears that the Executive Director used the car for the HOPWA childcare program, not Project LifeRoad. The BLOCK's Executive Director could not explain why he claimed mileage for a rental car paid by another grant.

For January 2000 mileage, the Executive Director and his son claimed \$562 in ineligible costs using mileage reports that exactly duplicated the December 1999 mileage reports, except for the names and the dates. Those reports even duplicated the odometer readings. The BLOCK's Executive Director could not explain the duplications.

Unsupported mileage.

Using grant funds, the Foundation paid the BLOCK \$6,668 for the Executive Director's son's mileage during a period that he worked full-time for the City of Houston's HIV Prevention Program.

The Executive Director stated that Houston's HIV Prevention Program and Project LifeRoad served the same type of participants. Therefore, he could charge his son's salary to one program (Houston's HIV Prevention Program) and his mileage to the other program (Project LifeRoad). According to the Executive Director, his son's outreach work benefited participants under both programs at the same time.

We do not agree that the Executive Director's son benefited participants of both programs at the same time. Even though both programs had similar goals, they did not serve the same population. Houston's HIV Prevention Program targeted heterosexual individuals, and substance abusers with an emphasis on sexually transmitted diseases. Participants did not need to be homeless as required under Project LifeRoad. In fact, Houston's outreach workers provided much of their outreach and HIV education services to residents of apartments. In contrast, Project LifeRoad targeted homeless HIV positive individuals, including homosexuals. As a result, the BLOCK did not have evidence that \$6,668 in mileage benefited Project LifeRoad.

¹¹ The HOPWA grant through the Foundation reimbursed the BLOCK \$200 in car rental charged to A Friendly Haven's (a Partner) childcare program.

Unsupported office supplies and telephone costs.

The Foundation paid the BLOCK \$49 for office supplies and \$1,807 for telephone costs not directly associated with outreach workers.

HUD generally allows grantees to pay for office supplies and telephone costs from operating funds if they support the function and operation of the project. However, the BLOCK budgeted office supplies and telephone services under the supportive service line item. HUD approved those costs as part of the supportive service line item on the condition that it represented the outreach workers' actual use of office supplies and telephones in fulfilling their outreach duties for the grant.

The grant paid for office supplies used for client files, client documentation, and Project LifeRoad correspondence. The grant agreement only allowed grant funds to pay for telephone costs of coordinating outreach services, contacting possible referral sources, and communicating with Project LifeRoad Partners.

The BLOCK could not support the use of \$1,856 in office supplies and telephone costs. The Executive Director said that "everybody in the building" is an outreach worker and consequently the entire staff directly benefited grant participants. The grant agreement allowed the Foundation to pay for two outreach workers not the entire staff.

The Foundation not aware of problems.

The Foundation did not note problems with the BLOCK's allocation of costs during its desk monitoring of Project LifeRoad's monthly expense reports. Additionally, its monitoring procedures did not include comparing costs to other grants. Therefore, it could not detect double-billed costs during its regular monitoring.

The Foundation sent detailed instructions to the BLOCK regarding Circular A-122's requirements for reporting staff hours spent on different activities. However, the BLOCK did not follow the Foundation's instructions and the Foundation reimbursed it based upon incorrect and incomplete time sheets. HUD's agreement is with the Foundation and therefore HUD should take action against the Foundation.

The Foundation should reimburse HUD for the BLOCK's ineligible expenditures of \$14,888. It should either submit documentation to support payments of \$27,203 to the BLOCK from grant funds or reimburse HUD for those costs. The Foundation should revise its monitoring procedures to prevent the future allocation of ineligible expenditures to federal grants. Additionally, we recommend that HUD take administrative sanctions against the BLOCK and its Executive Director for double-billing salary, office supplies, and telephone costs to two grants.

The Foundation reimbursed itself \$23,089 for excess administrative costs.

The Foundation mistakenly drew down \$23,089 for excess administrative costs. The Foundation's Director of Finance based his drawdowns on budgeted costs instead of actual costs.

The Technical Submission of the Grant Agreement awarded AIDS Foundation "...up to 5% of ..." the "...project award for administrative costs." The grant budget based \$142,889 administrative costs paid from grant funds on 5% of \$2,857,756 budgeted costs.

Because the Foundation spent less on leasing and supportive service costs than budgeted, total actual costs were \$2,395,903. Therefore, the Foundation could draw down \$119,795 in grant funds for administrative costs. Because the Foundation's Director of Finance did not anticipate that total costs would be less than budgeted, the Foundation drew down \$142,884, or \$23,089 more than authorized.

As a result, the Foundation used HUD funds to pay for administrative costs not covered by the grant agreement. The Foundation acknowledged its mistake. The Foundation should reimburse HUD \$23,089 ineligible administrative costs paid from grant funds.

The Foundation did not document homelessness as required by HUD and paid \$2,706 for an ineligible participant.

The Foundation did not document homelessness for all 17 sampled program participants. We attribute the problems to staff responsible for participant files not knowing HUD requirements related to documenting homelessness. The Foundation paid \$2,706 for one sample participant and could not support his homelessness. Based upon the sample results, it appears that the Foundation maintains inadequate documentation of the eligibility of its participants.

HUD's definition of homelessness included "...someone who is living on the street or in an emergency shelter, or who would be living on the street or in an emergency shelter without..." supportive housing program assistance. HUD required the Foundation to document homelessness to ensure that participants were "...part of the specific population targeted in the approved application."

The Foundation received HUD training on program requirements including participant eligibility and documentation of eligibility. HUD staff discussed its participant eligibility requirements at the start-up conference attended by a representative from the Foundation. Additionally, HUD gave its grantees brochures explaining the documentation requirements according to the type of homeless participants served. Without such documentation, HUD has no tangible evidence that the Foundation served the intended population.

In response to the audit finding, Project LifeRoad's Program Manager provided documentation to support that 16 out of 17 sampled participants met HUD's definition of homelessness as indicated by case manager notes in the participant files. The Foundation obtained most of the information from former case managers and referring agencies.

The Foundation could not provide documentation to support the eligibility of one participant. The individual stated that he moved to a hotel, quit his job, and entered Project LifeRoad 4 days after quitting his job. The Foundation could not confirm that the individual was homeless as defined by HUD. The Foundation paid \$2,706 in leasing costs on this individual.

The Foundation should reimburse HUD \$2,706 paid for the ineligible participant's residence. Further, it should also ensure that it has documentation that the remaining 128 grant participants met HUD's definition of homelessness and should reimburse HUD for costs of participants whose eligibility it cannot support. The Foundation should obtain and verify the necessary information to determine participant eligibility for current and future HUD grants.

The Foundation reimbursed itself for ineligible operating and supportive service costs.

The Foundation reimbursed itself \$1,483 in ineligible operating costs of a computer used by the BLOCK and supportive service costs of transportation for individuals not in Project LifeRoad.

According to the Foundation's application plans approved by HUD, the BLOCK was to use its computer for tracking grant participants. The Foundation budgeted the computer purchase as an operating cost of providing supportive services to grant participants. Circular A-122 required direct costs to be "...incurred specifically for the award."

The grant's budget authorized the Foundation to pay for participant transportation costs out of supportive service funds. According to the technical submission, "...supportive service funds may be used to pay for the actual costs of supportive services and other costs directly associated with providing such services."

The Foundation reimbursed itself \$1,430 for a computer used by the BLOCK. Instead of tracking grant participants, as HUD intended, the BLOCK used the computer to report financial transactions related to collecting reimbursements from grant funds. The BLOCK did not have policies and procedures for tracking individuals referred to Project LifeRoad and for tracking HIV tests performed with grant funds. Additionally, the Foundation did not require the BLOCK to track grant participants. As a result, HUD cannot determine whether the BLOCK provided outreach services as originally intended by the grant application. Specifically, HUD cannot determine how many individuals the BLOCK referred to the grant program and how many individuals tested for HIV using grant funds.

The Foundation reimbursed itself \$53 from grant funds for transportation costs of non- participants of Project LifeRoad.

The Foundation should reimburse HUD \$1,483 in ineligible computer and transportation costs paid from grant funds.

Recommendations:

We recommend that HUD:

- 1A. Require the Foundation to reimburse HUD for \$ 42,166 in ineligible costs paid from grant funds.
- 1B. Require the Foundation to reimburse HUD for \$27,203 in unsupported costs paid from grant funds or provide supporting documentation.
- 1C. Require the Foundation to revise its monitoring policies and procedures for financial site visits to prevent the future allocation of ineligible and unsupported costs to federal grants.
- 1D. Take administrative sanctions against the BLOCK and its Executive Director for double-billing salary, office supplies, and telephone costs to two grants.
- 1E. Require the Foundation to provide evidence that its grant participants were homeless and reimburse HUD for costs of participants whose eligibility cannot be supported. The Foundation should obtain and verify the necessary information to determine participant eligibility for current and future HUD grants.

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