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Audit Report Number 2006-LA-1013
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TO: Jon L. Gant, Director, Office of Healthy Homes and Lead Hazard Control, L

*Joan S. Hobbs*

FROM: Joan S. Hobbs, Regional Inspector General for Audit, 9AGA

SUBJECT: The Child Abuse Prevention Council of Sacramento, North Highlands,  
California, Did Not Adequately Administer Its Healthy Homes Initiative  
Grant

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Child Abuse Prevention Council of Sacramento (Council) in response to a request from the U.S. Department of Housing and Urban Development's (HUD) Office of Healthy Homes and Lead Hazard Control.

Our audit objectives were to determine whether the Council administered its Healthy Homes Initiative grant in accordance with HUD requirements and its grant agreement. More specifically, our objectives were to determine whether (1) grant expenditures were eligible and supported by adequate documentation, (2) the Council had implemented adequate financial management and record-keeping systems, and (3) the Council accomplished its grant goals.

### **What We Found**

The Council did not adequately administer its Healthy Homes Initiative grant. As a result, \$936,879 of the \$1,027,477 in payment (reimbursement) requests

submitted to HUD were for ineligible and unsupported costs.<sup>1</sup> The Council also failed to implement and maintain an adequate procurement process, develop an adequate financial management system, or meet its grant performance objectives.

### **What We Recommend**

We recommend that HUD require the Council to repay it from nonfederal sources \$140,264 in ineligible expenses and \$376,390 in unsupported expenses (for which reimbursement was previously received from HUD) unless it can provide adequate supporting documentation. Additionally, we recommend that HUD not pay the Council for outstanding reimbursement requests, consisting of \$210,576 in ineligible expenses and \$209,649 in unsupported expenses, unless it can provide adequate supporting documentation. Finally, we recommend that HUD deobligate all remaining grant funds including ineligible costs, any unsupported costs that cannot be documented, and the \$472,523 unused balance remaining on the original \$1.5 million grant.

We also recommend that HUD not award the Council additional funding until it has implemented adequate financial management and procurement systems and can provide evidence that it has developed the organizational capacity to carry out a HUD grant.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

### **Auditee's Response**

We provided the Council a draft report on May 18, 2006, and held an exit conference with the Council's officials on June 08, 2006. The Council provided written comments on June 23, 2006. It generally disagreed with our report.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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<sup>1</sup> \$90,598 in claimed costs was determined to be eligible and fully supported. The Council has received reimbursement from HUD for only \$606,125 of the claimed costs and is awaiting reimbursement for the other \$421,352. The \$606,125 is the sum of nine individual reimbursed drawdowns, while the \$421,352 includes two prior rejected drawdowns.

## TABLE OF CONTENTS

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Background and Objectives	4
Results of Audit	
Finding 1: The Council Claimed Reimbursement for \$936,879 in Healthy Homes Initiative Grant Costs That Were Ineligible or Unsupported	5
Finding 2: The Council Did Not Meet Its Contract Performance Requirements	16
Scope and Methodology	20
Internal Controls	21
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	23
B. Auditee Comments and OIG's Evaluation	24
C. Criteria	83
D. Schedules of Ineligible and Unsupported Expenses	85
E. Grant Agreement: Statement of Work	87

## **BACKGROUND AND OBJECTIVES**

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The Healthy Homes Initiative is authorized under the fiscal year 2000 Appropriations Act and builds upon the U.S. Department of Housing and Urban Development's (HUD) existing activities regarding housing-related health and safety issues, including lead hazard control, building structural safety, electrical safety and fire protection, and to address multiple childhood diseases and injuries related to housing in a more coordinated fashion. The program is designed to develop, demonstrate, and promote cost-effective preventive measures to correct multiple safety and health hazards in the home environment that produce serious diseases and injuries to children. The program provides funding for projects that demonstrate effective assessment and intervention methods as well as for research, public education (demonstration), and outreach efforts.

The Child Abuse Prevention Council of Sacramento (Council), located at 4700 Roseville Road, North Highlands, California, incorporated in 1977 as a nonprofit organization. The Council was awarded a Healthy Homes Initiative grant (CALHH007500) for \$1.5 million as part of the year 2000 Healthy Homes Initiative grant awards. The grant agreement was executed in March 2001. The nonprofit Council is organized to provide prevention, coordination, training, and community education outreach services to assist at-risk families. Its stated purpose is to coordinate and develop systems designed to prevent or effectively respond to situations of child abuse, neglect, or abandonment. The Council operates using various grant sources obtained primarily from federal, state, and local agencies.

The Council created the California Alliance for Prevention (Alliance) in 1999 as a cost-efficient prevention program, implementing home visitation, family resource centers, and AmeriCorps members across numerous counties in California. The Healthy Homes Initiative was integrated into the Alliance model to provide greater access to the target population. Training, home visits, and family resource centers were supposed to provide education, prevention, and training on topics such as asthma awareness, lead-based poisoning, and a healthy home environment.

Our audit objectives were to determine whether the Council administered its Healthy Homes Initiative grant in accordance with federal requirements and its grant agreement. More specifically, our objectives were to determine whether (1) grant expenditures were eligible and supported by adequate documentation, (2) the Council had implemented adequate financial management and record-keeping systems, and (3) the Council accomplished its performance objectives.

## RESULTS OF AUDIT

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### Finding 1: The Council Claimed Reimbursement for \$936,879 in Healthy Homes Initiative Grant Costs That Were Ineligible or Unsupported

The Council submitted reimbursement requests to HUD for \$936,879<sup>2</sup> for grant costs that were ineligible (\$350,840) or unsupported (\$586,039). We attribute the Council's request for reimbursement of these significant ineligible and unsupported costs to inadequate knowledge of Healthy Homes Initiative requirements and responsibilities and related federal rules and regulations, a failure to adopt and implement appropriate procurement policies and procedures, and a failure to implement an adequate financial management system. These deficiencies prevented the Council from fully meeting HUD's goals of providing education, prevention, and training to target families (see finding 2).

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**The Council Claimed \$257,500 in Ineligible AmeriCorps Training Fees**

#### **Ineligible AmeriCorps Fees**

The Council claimed \$329,500 in AmeriCorps training fees. This represented a claimed fee of \$500 for each time (659 times) an AmeriCorps member attended a grant-related training session. However, based upon our analysis of the Council's records, \$257,500 of the claimed fees was ineligible. The ineligible AmeriCorps fees related to members who did not fulfill their AmeriCorps duties required by the Healthy Homes Initiative grant agreement. Only 144 individuals who completed all four training sessions related to the grant (asthma awareness, secondhand smoke, home environment, and lead-based poisoning) were eligible for the \$500 training fee. Applicable funding eligibility for the 144 individuals who completed the contractual requirements was only \$72,000, not the \$329,500 claimed by the Council—a difference of \$257,500. A summary of the claimed fees is outlined below.

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<sup>2</sup> The Council's total Healthy Homes Initiative grant was for \$1.5 million. The Council claimed and submitted reimbursement requests to HUD for a total of \$1,027,477. This left an unclaimed/unused grant balance of \$472,523.

<b>Training sessions claimed</b>	<b>Amount submitted for reimbursement</b>	<b>Payment received from HUD</b>	<b>Awaiting decision: reimbursement</b>
659	\$ 329,500	\$ 191,200	\$ 138,300

The Council misinterpreted the grant agreement and inappropriately claimed a \$500 fee each time an AmeriCorps member attended a training session. While the grant agreement allows for a \$500 training fee<sup>3</sup>, it specifically states that the \$500 fee is per member and not per training session attended. The grant agreement identifies the \$500 fee as

- Part of direct salaries,
- Payment for an AmeriCorps member's total time spent on the grant,
- Per AmeriCorps member, not per training session attended, and
- A one-time payment for each eligible AmeriCorps member.

To be eligible for the \$500 fee, an AmeriCorps member would have had to complete all four training sessions (as required in the grant agreement's statement of work), thus fulfilling the training objectives of the grant. The grant agreement clearly requires AmeriCorp volunteers (home visitors and family resource center aides) to be fully trained in all four HUD related topics in order to become trainers and effectively execute community outreach. As previously stated, only 144 AmeriCorps members completed these contract requirements. Accordingly, eligible training fees for this contract provision totaled only \$72,000 (\$500 x 144), not the \$329,000 claimed by the Council.

### **The Council Did Not Comply with Federal Procurement Standards**

Federal procurement standards are integral to the grant process as they provide assurance that contractors are acquired in a sound, competitive, and fair manner. HUD and Office of Management and Budget Circular A-110, "Uniform Administrative Requirements for Grants with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," requires grant recipients to establish procurement and contract management policies and procedures to ensure that materials and services are obtained in an effective manner and in compliance with federal rules and regulations (see appendix C).

<sup>3</sup> While the \$500 fee is not expressly written in the grant agreement, the grant agreement budgeted amount was derived from the grant application which gives a clear explanation of the \$500 AmeriCorps fee.

The Council failed to establish and maintain written procurement and contract monitoring procedures when obtaining and managing contracts for training, evaluation, and consulting services. As a result, its procurement actions and contract monitoring procedures did not meet the requirements of its grant contract with HUD. Specifically, the Council

- Did not perform a cost analysis for any of its contracts or related procurement actions,
- Did not complete a competitive bid process to obtain contractual services when warranted,
- Did not provide explanations for the lack of competition for all of its procurement actions,
- Contracted with one contractor (Minicucci Associates) based upon previous relationships and without an approved budget,
- Obtained subcontract services from four contractors without obtaining required prior HUD approval,
- Entered into service contracts/agreements to provide services that were already being provided under other contracts,
- Made payments on service contracts based upon vague and undocumented billings submitted by its contractors,
- Made duplicate payments to a contractor, and
- Could not explain or document payments made to one consultant/contractor.

These weaknesses in the Council's procurement and contract monitoring procedures resulted in the payment and subsequent claim to HUD for \$55,327 in ineligible consultant/contract expenses and \$264,455 in claims for undocumented contract service payments.

**Ineligible Consultant/Contractor  
Payments of \$55,327 Were  
Submitted to HUD for  
Reimbursement**

The Council submitted reimbursement requests to HUD for \$55,327 in ineligible consultant/contractor expenses (see appendix D). The Council has received reimbursement from HUD for only \$1,925 of this requested amount. These expenses related to four consultants/contractors whose services were obtained by the Council without obtaining prior HUD approval, as required by Office of Management and Budget Circular A-110, subpart C.25.c.8 (see appendix C), and to another contractor (Minicucci Associates) that received a duplicate payment of \$3,640 (a request for reimbursement of this duplicate payment was submitted to HUD).

The grant budget provided for and listed five approved contractors with a budget of \$508,909. However, the Council, without notifying HUD and obtaining its approval, unilaterally revised its budget by enlisting the aide of four additional consultants/contractors. The Council acquired the services of all four consultants/contractors without going through a competitive procurement process. Since required HUD approval was not obtained, the payments to these contractors are not eligible under the grant agreement. In relation to another consultant, LPC Consulting, the Council could provide no documentation or explanation relating to the \$1,925 payment made to the firm; accordingly, the costs are not eligible under the grant.

Over and above the failure to obtain required HUD approval and obtain the services on a competitive basis, other significant problems were noted with these contracts, including

- The services of Performance by Design and Kronick Consulting were obtained to perform evaluation, consulting, and training. However, the Council had already executed contracts with three other contractors to provide similar training and evaluation services.
- Only Performance by Design and Minicucci Associates had an executed contract with the Council. However, these contracts were vague and had no specific work statements to govern them. There were no contracts or other agreements with the other consultants/contractors, and they were paid simply based upon billings submitted.
- All five contractors received ineligible payments resulting from non-HUD-related activities and/or inadequate supporting documentation. For example, one contractor was routinely paid for conducting conflict resolution training for work completed on the Council's Birth and Beyond program, and for travel that was not related to the grant.
- Documentation supporting claimed costs was often vague and did not clearly indicate how the costs were related to the grant.

Ineligible costs resulting from the Council's ineffective procurement actions are summarized below.

<b>Contractor/ consultant</b>	<b>Ineligible amount submitted for reimbursement</b>	<b>Amount reimbursed</b>	<b>Awaiting decision on reimbursement</b>
LPC Consulting	\$ 1,925	\$ 1,925	\$ 0
Performance by Design	37,413	0	37,413
Kronick Consulting	9,450	0	9,450
Office Team	2,899	0	2,899
Minicucci Associates	3,640	0	3,640
	<b>\$ 55,327</b>	<b>\$ 1,925</b>	<b>\$ 53,402</b>



**Unsupported Claims of  
\$264,455 Were Submitted for  
Payments Made to  
Consultants/Contractors**

Contrary to Office of Management and Budget Circulars A-87, A-110, and A-122 (see appendix C), the Council expended and claimed reimbursement for \$264,455 in payments made to consultants/contractors<sup>4</sup> that were not adequately supported (see appendix D). Based on grantee records, these contractual expenses were as follows:

<b>Consultant/contractor service provided</b>	<b>Received reimbursement</b>	<b>Awaiting reimbursement</b>
	<b>December 10, 2000 - March 31, 2003</b>	<b>April 1, 2003 - March 14, 2004</b>
<b>American Lung Association</b> (provided training services for asthma awareness, secondhand smoke, and home environment)	\$ 81,294	\$ 27,881
<b>Sacramento County Department of Health and Human Services</b> (provided training services for lead-based poisoning)	58,721	53,086
<b>Minicucci Associates</b> (provided evaluation services)	0	43,473
	<b>\$ 140,015</b>	<b>\$ 124,440</b>

The American Lung Association and Sacramento Health and Human Services submitted invoices that only listed the budget, current period expenses for each budgetary line item, and cumulative expenses for each line item. The invoices did not provide specific data or documentation to support the eligibility of the expenses claimed for each line item total. Accordingly, the eligibility of the costs claimed under the contracts could not be determined. Office of Management and Budget circulars require that contractors provide the same level of support as the grantee (see appendix C). This would include providing sufficient documentation to allow for a determination of the eligibility of claimed costs under the applicable contracts. Supporting documentation is especially critical for a grantee or contractor who deals with numerous organizations simultaneously. The supporting documentation for the expenses is not only important for reimbursement analysis, but is critical in ensuring that the contract was adhered to and expenses charged were for services agreed to in the contract.

<sup>4</sup> These three subcontractors were approved and identified in the grant agreement. Two other subcontractors were identified and approved in the grant agreement, but their services were never used.

The contract between the Council and Minicucci Associates did not include a budget and failed to detail or list services and related costs that were to be provided under the contract. Minicucci Associates submitted billing invoices that listed charges for salaries, a 55 percent overhead rate, a general and administration rate of 5 percent, and at times claimed subcontractor costs. Since the contract did not contain specific details related to services to be provided or an approved budget, the invoices should have been accompanied by support detailing the work performed and how the salaries and overhead costs were justified and related to the grant agreement.

### **The Council Failed to Establish an Adequate Financial Management System**

A good financial management system is integral to a grantee's ability to adequately administer its grant program. HUD and Office of Management and Budget Circular A-110, subpart C, "Standards of Financial Management Systems," requires grant recipients' financial management systems to provide records that adequately identify the source and application of funds for federally sponsored activities (see appendix C). These records should contain information pertaining to federal awards, authorizations, obligations, unobligated balances, and outlays. However, the Council failed to implement a system that met the minimum requirements of Office of Management and Budget Circular A-110. Weaknesses in the Council's financial management system, as discussed below, contributed significantly to its inability to properly account for its grant-related transactions.

While the Council purchased accounting software for its operations, it did not

- Adequately implement the software to ensure that costs were accounted for consistently,
- Track grant expenses,
- Create accurate reports,
- Reconcile actual expenses to expenses claimed, and
- Correctly reconcile expenses billed to HUD for reimbursement to the accounting databases.

We also noted that during our audit period, the Council was operating using three different accounting databases. The databases all contained various levels of information and were not consistent with each other in the information pertaining

to the Healthy Homes Initiative. Because of these weaknesses and inconsistencies in the Council's financial management systems, we had to perform our financial analysis by reviewing all of the expenses for which we could obtain support.

Problems with the Council's financial management systems were compounded by its lack of personnel with an adequate accounting and financial background to properly implement and maintain its overall financial records. The former deputy director of finance and operations and former accounting manager lacked the appropriate background, education, and training to implement and maintain a financial management system for a nonprofit organization receiving money from multiple grant sources.

In addition, the Council did not have written accounting procedures to help in ensuring that costs charged to the HUD grant were allowable, allocable, reasonable, and directly related to the HUD grant. The Council's lack of accounting procedures also contributed to a weak internal control system. Specifically, the Council

- Did not have a consistent process for purchases,
- Allowed for reimbursements without prior approval,
- Did not have consistent cost allocations,
- Appeared to randomly charge expenses to the HUD grant,
- Allowed accounting staff to make changes to the general ledgers without management approval,
- Provided minimal oversight to the accounting and finance department, and
- Maintained inadequate accounting records that did not support claimed grant costs.

As discussed below, the Council's lack of an adequate financial management system and its poor internal control policies resulted in the charging of \$270,478 in undocumented/unsupported costs and \$89,119 in ineligible costs to the grant.

### **The Council Claimed \$270,478 in Unsupported Payroll Expenses**

None of the Council's claimed payroll expenses (salaries and fringe benefits) totaling \$270,478 were supported, as applicable time records failed to document time worked on the Healthy Homes Initiative grant. Office of Management and Budget Circular A-122 (see appendix C) requires the preparation of time records, prepared after the completion of work, which document hours worked each day on a grant, separate from other organization activities. Based on Council records, payroll expenses of the 16 employees who charged time to the grant are as follows:

Position	Received reimbursement	Awaiting reimbursement
	December 10, 2000 - March 31, 2003	April 1, 2003 - December 31, 2003
Community development / Training manager	\$ 6,998	\$ 4,957
Trainer		1,418
Trainer		4,250
Trainer	7,481	17,626
Trainer	3,888	2,187
Trainer	1,038	8
Trainer	636	31,554
Training coordinator	2,224	
Training coordinator		7,143
Training coordinator	10,487	
Program manager		17,554
Supervisor-Arden		5,025
Accounting manager		35,004
Accounting clerk		615
Trainer	14,065	4,250
Temps	3,553	16,980
Other		729
<b>Total salaries</b>	<b>\$ 50,370</b>	<b>\$ 149,300</b>
Fringe benefits	16,800	54,008
<b>Total salaries and benefits</b>	<b>\$ 67,170</b>	<b>\$ 203,308</b>
<b>Grantee application of HUD advance (appendix D)</b>	149,300 <sup>5</sup>	(149,300)
<b>Total</b>	<b>\$ 216,470</b>	<b>\$ 54,008</b>

It should also be noted that the Healthy Homes Initiative grant agreement and approved budget allocated grant money for only three employees—program manager, training coordinator, and administrative analyst. The budget did not allocate or provide funding for trainers, accountants, or temporary staff.

<sup>5</sup> \$149,300 of a \$150,000 grant advance (received in September 2001) was applied to direct labor for the period April 1- December 31, 2003. The \$149,300 is added to the total amount reimbursed for unsupported direct labor.

The Council receives significant grant funding from sources other than HUD. In years, 2001, 2002, and 2003, the Council's audited financials show it received less than 6.5% percent per year of its funding from HUD. In the Council's financial statements, the Healthy Homes Initiative grant is considered a minor funding source. Between 2000 and 2004 (except for 2001), the Council received at least seven grants from different organizations. Given the Council's diverse funding sources and its broad activity base, salaries and fringe benefits should be supported by detailed time records.

### **The Council Claimed \$89,119 in Other Ineligible and Unsupported Expenses**

The Council charged the grant \$38,013 for other ineligible expenses and \$51,106 for other unsupported expenses. The ineligible expenses represent non-HUD related costs for companywide postage, travel, tax services, copying services, office supplies, computer equipment, and equipment rental and maintenance. On more than one occasion, the Council charged ineligible expenses for meals, plants, flowers, and office furniture to the HUD grant. The ineligible direct labor and fringe benefit costs represent expenses incurred after the March 14, 2004, grant termination date.

Additionally, the Council failed to submit an indirect cost plan for HUD approval as required by Office of Management and Budget Circular A-122 (see appendix C). Without an indirect cost plan, the Council carries the burden of supporting all costs as directly related to the HUD grant. However, it charged indirect costs, such as parcel shipments, postage, office supplies, equipment rentals, computer equipment, and communications charges, to the contract without documentation supporting their eligibility under the grant program. The Council also failed to maintain support for other direct costs charged to the HUD grant and rarely maintained documentation for travel, mileage, meals, and per diem costs charged to the grant that clearly linked the purpose of travel to the Healthy Homes Initiative grant. The ineligible and questioned costs are summarized below and listed in more detail in appendix D.

Cost category	Received reimbursement	Awaiting reimbursement	Total
	December 10, 2000 - March 31, 2003	April 1, 2003 - March 14, 2004	
Other ineligible expenses			
Direct labor	\$ 0	\$ 6,448	\$ 6,448
Fringe benefits	0	149	149
Supplies	13,203	8,895	22,098
Travel	5,811	451	6,262
Other	125	2,931	3,056
Total	\$ 19,139	\$ 18,874	\$ 38,013
Other unsupported expenses			
Supplies	\$ 13,434	\$ 14,566	\$ 28,000
Travel	1,740	5,725	7,465
Other	4,731	10,910	15,641
Total	\$ 19,905	\$ 31,201	\$ 51,106
Total			\$ 89,119

## Conclusion

The Council lacked the knowledge needed to administer its Healthy Homes Initiative grant in accordance with pertinent grant requirements and regulations. Additionally, it failed to establish and implement procurement and financial management systems and controls necessary to properly account for and manage its grant funds. These weaknesses resulted in the charging of more than \$991,000 in ineligible and unsupported costs to its grant program. Accordingly, HUD has no assurance that Healthy Homes Initiative funds were used only for authorized and allowable expenses.

## Recommendations

We recommend that the director of the Office of Healthy Homes and Lead Hazard Control

- 1A. Require the Council to repay HUD from nonfederal sources the \$119,200 it received for ineligible AmeriCorps training fees and deny payment of the \$138,300 in additional ineligible fees the Council has requested.

- 1B. Require the Council to repay HUD from nonfederal funds the \$1,925 in ineligible consultant/contract fees for which it has received reimbursement and deny reimbursement of the additional ineligible consultant/contract fees of \$53,402 identified in the finding.
- 1C. Require the Council to provide support for the \$140,015 in undocumented consultant/contractor fees for which it has been reimbursed by HUD and the additional \$124,440 in similar undocumented fees for which payment has been requested from HUD but not received. If documentation cannot be provided, the Council should be (1) required to reimburse those fees for which reimbursement has been received and (2) denied payment for pending reimbursement requests that cannot be documented.
- 1D. Require the Council to provide support for the \$216,470 in undocumented salaries and fringe benefits charged to the grant and reimbursed by HUD and the additional \$54,008 in unsupported salaries and fringe benefits for which reimbursement has been requested but not received. If documentation cannot be provided, the Council should be (1) required to reimburse HUD from nonfederal sources those salary expenses for which reimbursement has been received and (2) denied payment for any pending salary reimbursement requests that cannot be supported.
- 1E. Require the Council to reimburse HUD from nonfederal sources the \$19,139 in other ineligible costs for which it has received reimbursement and deny payment of the \$18,874 in pending ineligible claims. Additionally, the Council should be required to provide support for \$19,905 in other undocumented expenses for which it has received reimbursement and \$31,201 in other undocumented expenses for which reimbursement has been requested from HUD but not received. If these expenses cannot be supported, they should be refunded to HUD or denied reimbursement as applicable.
- 1F. Deobligate the \$472,523 in unused funds remaining under the grant along with any other disallowed costs resulting from recommendations 1A through 1E.
- 1G. Not award the Council additional funding until it can demonstrate that it has established and implemented written procurement policies and procedures that follow federal procurement standards and implemented a financial management and record-keeping system that meets federal requirements for grant recipients.

## Finding 2: The Council Did Not Meet Its Contract Performance Requirements

The Council did not execute its Healthy Homes Initiative grant effectively and efficiently, resulting in a failure to meet the performance goals required by its grant agreement. Although claiming to meet its grant training and outreach goals, the Council failed to implement an effective community outreach education program, the real intent of the grant program. We attribute the deficiencies to the Council's lax attitude toward program implementation, inadequate organizational capacity, and lack of policies and procedures relating to the Healthy Homes Initiative. These conditions hindered the Council's ability to create and maintain a successful outreach and education program accessible to families throughout the 17 counties targeted by the grant agreement.

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### **The Council Failed to Accomplish Its Performance Requirements**

Sufficient organizational capacity, coupled with a clear and focused plan, is integral to a grantee's ability to adequately execute its grant program. The statement of work, as part of the grant agreement, identifies a set of goals that can be used as a measurement of successful grant implementation and completion. The Council's grant agreement laid out grant performance goals to be accomplished throughout its three-year grant period, reaching at-risk families across 17 targeted counties. However, these goals were not met.

### **Performance Goals**

While the Council claimed it met all of its performance goals in its final report submitted to HUD, supporting documentation, including training session sign-in sheets and home visit record charts, did not support the Council's claimed performance accomplishments. Based on the grantee's records, the Council failed to achieve six<sup>6</sup> of its performance goals (see highlighted cells in table below), as shown below.

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<sup>6</sup> The sixth goal, increase in blood testing for lead, was eliminated as a performance goal in December of 2003. The Council cited barriers in tracking childhood lead testing and the inability to develop a consistent tracking tool.



Performance category	Goal	Accomplished	Goal	Accomplished
Asthma	24 training sessions	39	370 persons trained	442
Secondhand smoke	24 training sessions	30	370 persons trained	333
Home environment	24 training sessions	30	370 persons trained	340
Lead poisoning	36 training sessions	46	470 persons trained	560
Parents/adult caregivers			200 persons trained	307
Childcare providers			100 persons trained	42
Home visits	700 families	548	2,100 home visits 700 per year	1399
Distribution of materials	Year 1: 13 centers Year 2: 17 centers	Accomplished		
Teleconferencing capacities	Year 1: 2 counties Year 2: 4 counties	Year 1: 3 counties Year 2: 3 counties		
Increase of blood testing	Year 2: 5% Year 3: 10%	Goal eliminated		

While the table indicates that the Council met its “training session goals,” these goals are not very relevant to achievement of the overall grant goal of community outreach and education. Attendees at these training sessions could consist of more than 30 people or as few as three people. Accordingly, the goals related to the number of persons trained is of far greater importance as once trained, they are the primary means for conducting the principal grant objective, education and outreach programs in targeted counties.

### **Healthy Homes Initiative Grant Execution**

The goal accomplishments shown above were not reflective of the effectiveness of the Council’s execution of its grant program. We identified deficiencies and irregularities in the methods by which the Council carried out grant activities that illustrate an ineffective and inefficient execution of the grant. For example, the Council allowed persons to attend the same training more than once, inflating the number of reported individuals receiving training but not adding to the usefulness of the program.

The Council’s failure to effectively carry out its grant program is further demonstrated when its grant activities are analyzed on an annual basis over the three-year grant period. Of the 2,024 persons trained,

- 7 percent were trained in year 1,
- 14 percent were trained in year 2, and
- 79 percent were trained in year 3.

As shown in appendix E, the grant work statement envisioned/required implementation of all goals throughout the three-year grant period, not just during the last year of the grant.

In addition, using the home visitation recording charts, we identified serious delays in home visit dates. Of the 1,399 home visits we were able to confirm, 91 percent were conducted in the final year of the grant. As shown below, the number of home visits (the most important goal of the grant) during the first two years of the program was almost nonexistent.

<b>Year</b>	<b>Home visits</b>	<b>Percentage</b>
Year 1 (April 01-March 02)	1	0.00
Year 2 (April 02 - March 03)	6	0.00
Year 3 (April 03 - March 04)	1,272	0.91
After March 15, 2004	64	0.05
Undetermined <sup>7</sup>	56	0.04
<b>Total</b>	<b>1,399</b>	<b>100</b>

According to the Council's home visitation model, home visits were to be conducted weekly (at the most intense visitation scenario), with each family receiving at least three home visits. However, the home visit recording charts showed numerous instances in which consecutive home visits were conducted on the same day or less than weekly. The results of such home visits are less valuable, as they would not allow enough time for behavioral changes in the home environment to be adequately tracked to see if the home education visits were effective.

Lastly, the grant agreement required the Council to provide Healthy Homes Initiative education, training, and outreach efforts across 17 counties in California. However, of the 548 families who received home visits, we identified 386 who lived in Sacramento County. If 70 percent of the at-risk families provided services under the grant lived in Sacramento County, it would appear that the Council did not make a reasonable effort to provide outreach and education across the other 16 counties.

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<sup>7</sup> The undetermined home visits were supported by record charts that did not contain a date or year. Without a date or year, we could not classify the home visits as having been conducted during the grant period.

## **Conclusion**

We attribute the Council's failure to meet grant requirements to insufficient planning and a lack of procedures for effective program implementation. The Council neglected the Healthy Homes Initiative until the third year of the grant, while placing an emphasis on its larger, more significant programs. With such a long delay in grant execution, the Council sacrificed efficiency and effectiveness for production. It did not have a set of policies and procedures in place to assure that the grant was on schedule and being conducted in a manner that would reach at-risk families in a consistent, timely, and effective way. As a result, the Council did not fully meet the grant's goals of providing education, prevention, and training to targeted families.

## **Recommendations**

We recommend that the director of the Office of Healthy Homes and Lead Hazard Control

- 2A. Not award the Council additional funding until it can demonstrate that it has the organizational capacity to simultaneously execute multiple grant programs.

## SCOPE AND METHODOLOGY

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We performed the audit between September 2005 and December 2006. The audit generally covered the period from December 10, 2000, through March 14, 2004. The grant was awarded in March 2001 and included a cost allowability period beginning on December 10, 2000. We expanded the scope as necessary. We reviewed applicable guidance and discussed operations with management and staff personnel at the Council and key officials from HUD's Office of Healthy Homes and Lead Hazard Control. Our primary methodologies included

- Reviewing applicable HUD regulations at 24 CFR [*Code of Federal Regulations*] Part 84; Office of Management and Budget Circulars A-87, "Cost Principles for State, Local, and Indian Tribal Governments"; A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations"; and A-122, Cost Principles for Nonprofit Organizations" as well as the Super Notice of Funding Availability, dated February 24, 2000 (see appendix C).
- Interviewing appropriate HUD personnel and relevant grant files to obtain an understanding of Healthy Homes Initiative requirements and identify HUD's concerns with the grantee's operations.
- Reviewing the grantee's policies, procedures, and practices.
- Interviewing key Council personnel.
- Reviewing past independent public accountants' reports and prior HUD monitoring results.
- Reviewing available checks, invoices, and other supporting documents for the \$1,027,477 in claimed grant-related expenditures (\$606,125 reimbursed by HUD and \$421,352 rejected by HUD).
- Reviewing employee timekeeping records.
- Reviewing sign-in sheets, training logs, course outlines, and course presentation materials.
- Reviewing healthy homes home visitation recording charts and AmeriCorps rosters.
- Reviewing contractor/consultant agreements and procurement files.

We conducted our audit in accordance with generally accepted government auditing standards and included tests of management controls that we considered necessary under the circumstances.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives:

- Policies and procedures to ensure grant expenditures were eligible and adequately supported;
- Policies and procedures to ensure contracts were awarded according to federal procurement standards;
- Policies and procedures to ensure adequate financial management and record-keeping systems were in place; and
- Policies and procedures to ensure grant performance goals were achieved in an effective and efficient manner.

We assessed the relevant controls identified above. A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

The Council did not have adequate internal controls to reasonably ensure that

- Grant expenditures were eligible and adequately supported (finding 1).
- Contracts were procured and awarded in accordance with federal procurement standards (finding 1).
- Adequate financial management and record-keeping systems were in place (finding 1).
- Grant performance goals were achieved in an effective and efficient manner (finding 2).

## APPENDIXES

### Appendix A

#### SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$257,500		
1B	\$55,327		
1C		\$264,455	
1D		\$270,478	
1E	\$38,013	\$51,106	
1F			\$472,523
Total	\$350,840	\$586,039	\$472,523

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.

2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

3/ “Funds to be put to better use” are quantifiable savings that are anticipated to occur if an Office of Inspector General (OIG) recommendation is implemented, resulting in reduced expenditures at a later time for the activities in question. This includes costs not incurred, deobligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings. The \$472,523 in funds put to better use represents grant funds that were not expended. The Council claimed and submitted reimbursement requests to HUD for a total of \$1,027,477 out of a total of \$1.5 million. This left an unclaimed/unused grant balance of \$472,523. We are recommending the \$472,523 be deobligated for use on other HUD Office of Healthy Homes and Lead Hazard Control programs.

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

**Board of Directors**

**Ray McNally**  
Chairman  
McNally Temple Associates, Inc.

**Ken Blomsterberg**  
Chair, Nominating Committee  
Marcus & Miller Inc.

**Charles R. Mahla, Ph.D.**  
Chair, Finance Committee  
Kono O'Neil Research, Inc.

**John Segale**  
Chair, Public Relations Committee  
Precision Public Relations

**Abe Altman**  
Rafco Properties

**Laura Anderson, M.D.**  
VanBuren Lemkau, Inc.

**Robert Buccola**  
Dwyer, Babich, Buccola & Callahan

**Anthony Burg**  
Sutter Health Sacramento Sierra Region

**Hon. Irene A. Burger-Piavon**  
Sacramento County Superior Court

**Robert Caldon**  
Sacred Fire Capital

**Kathleen Campbell Chambers**  
University of Sacramento

**Codrusa Catanesco-Yee**  
Piper Hadden, Gray Cary US LLP

**Robert Connelly**  
Integrated Waste Management Board

**John Crisan**  
Stadler, Inc.

**Catherine Curran**  
Shimer's Hospital for Children

**Dana Dikmore**  
Oak Valley Consulting, Inc.

**Roger Dwyer**  
Dwyer, Babich, Buccola and Callahan

**Harold Goldstein**  
CPAD Consulting

**Gloria Gruber**  
Gloria Gruber, Attorney At Law

**Dee Huetzrog**  
Safed

**Donald Hudson**  
Catholic Healthcare West

**Joel Ilynek**  
Digital Domain

**Michael Jett**  
Chief of Education  
Child Development Division

**Hon. Talmadge Jones**  
Sacramento County Superior Court

**John Lambeth**  
Government Resources

**Laura Lyon**  
Lyon & Associates Realtors

**Kathleen McKenna**  
Kaiser Permanente

**Michael Metzger**  
Capital Builders, Inc.

**Katherine Miller**  
Co-Founders, Lift The Children

**Pascual X. Montesano, M.D.**  
Orthopedic Surgeon

**James Nelson**  
Smith Barney Group

**Gary G. Perry**  
Gary Perry Law Offices

**Margo Reid Brown**  
Integrated Waste Management Board

**Laurie Rose**  
Sutter Medical Center Sacramento

**Barbara Ross**  
UC Davis Health System

**Alfred Rowlett**  
Turning Point


**Tracy Sandin**  
21st Century Insurance

**Tim Sellers**  
Hewlett-Packard

**Don Stocker**  
Platinum Mortgage Company

**Andrea Weiss**  
Andrea Weiss Consulting

**Wesley Witt**  
Buciel



**Child Abuse Prevention Council  
of Sacramento, Inc.**

June 23, 2006

*Via U.S. Mail and Email*

Ms. Joan S. Hobbs  
Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Office of Inspector General  
Region IX  
622 West Sixth Street, Suite 1160  
Los Angeles, CA 90017-3101

**Re: Written Comments to the Inspector's Discussion Draft Audit Report  
Dated May 17, 2006**

Dear Ms. Hobbs:

Pursuant to your instructions to Mr. Boutin in your email dated June 12, 2006, the Child Abuse Prevention Council of Sacramento, Inc. hereby submits its written comments to the Inspector's Discussion Draft Audit Report dated May 17, 2006.

As instructed by you, the Council is submitting its written comments via email to you at [jhobbs@hudoig.gov](mailto:jhobbs@hudoig.gov). The Council will also mail a hard copy of its written comments to you.

The Council's written comments consist of the following three documents. The first piece is this cover letter. The second component is an approximately 38 page document entitled:

"Child Abuse Prevention Council of Sacramento, Inc.  
Written Comments to the Office of Inspector General  
Department of Housing and Urban Development  
Healthy Homes Initiative  
May 17, 2006 Discussion Draft Audit Report"

The final piece is a separate, approximately six page long document that includes the following three items:

(1) "Affidavit of Supervisory Official,"

*"For the Life of a Child"*

4700 Roseville Road ♥ North Highlands, California 95660 ♥ 916-244-1900 fax 916-244-1950 ♥ [www.capsac.org](http://www.capsac.org)



- (2) "Certificate of Acknowledgment," and
- (3) An approximately four page long excel chart entitled as follows:

"The Child Abuse Prevention Council of Sacramento, Inc."  
HUD Project  
Recap of Salary Charged to Project by Month  
2002 to 2004"

The Council appreciates the extension that you extended to it. However, I would like to reiterate that given the short response time allowed, the Council was not able to fully and comprehensively address all issues raised in the Inspector's Discussion Draft Audit Report. It is the Council's understanding that it will have further opportunity to comment on the concerns raised in the Inspector's Report, as well as raise additional concerns and issues of its own.

We anticipate that your office will fully review and consider the Council's written comments in issuing its final report.

Very truly yours,



Sheila Anderson  
President and CEO

Enclosures

Cc: Boutin Dentino  
Williams and Olds, CPAs

**Child Abuse Prevention Council of Sacramento, Inc.  
Written Comments to the Office of Inspector General  
Department of Housing and Urban Development  
Healthy Homes Initiative  
May 17, 2006 Discussion Draft Audit Report**

Issue Date: June 23, 2006

The management team of the Child Abuse Prevention Council of Sacramento, Inc. (the "Council") respectfully submits these written comments and supporting documentation for the purpose of responding to the Office of the Inspector General's ("Inspector") May 17, 2006, Discussion Draft Audit Report ("Report") regarding the Council's Healthy Homes Initiative ("HHI") grant activities.

**I. Introduction**

HHI was created in direct response to Executive Order 13045 entitled, "Protection of Children From Environmental Health Risks and Safety Risks." According to the U.S. Department of Housing and Urban Development's ("HUD") website, "A *major goal* of the Healthy Homes Initiative is to identify and implement single interventions that address multiple hazards." (March 2000 HUD Fact Sheet regarding HHI Program.) (Emphasis added.) The Council, as a HHI grant recipient, successfully implemented interventions addressing multiple hazards relating to asthma, secondhand smoke, home environment and lead based poisoning.

A consistent message from the White House and the President is that charities play a vital role in reaching out to those most in need. A reduction in funding may prevent organizations from continuing with their good works. "For many of the non-profits providing vital, ongoing services to our communities, a 25% reduction in contributions ... would force the *reduction or even elimination of services* to some of our neediest individuals and families." (Office of the Press Secretary, "President Urges Support for America's Charities," November 20, 2001.) (Emphasis added.) The Council is no different from other charities in this regard.

Not only does the White House recognize the important role non-profits play in serving needy individuals and families, but in particular, President Bush recognizes the importance of preventing child abuse, the Council's primary focus. Our President recently proclaimed, "Our Nation has a responsibility to build a safe and nurturing society so that our young people can realize their full potential. During National Child Abuse Prevention Month, we renew our commitment to preventing child abuse and rededicate ourselves to working together to ensure that all children can have a bright and hopeful future. Creating a protective environment for our young people requires that shared commitment of individuals, families, and faith-based and community organizations...Federal, State, and local government officials can also improve the lives of our young people by doing all they can to keep children safe from harm." (Office of the Press Secretary, "National Child Abuse Prevention Month, 2005, A Proclamation by the President of the United States of America," April 1, 2005.) The Council has been, and continues to be dedicated to creating a protective environment for young people. As such, the Council is carrying out the President's proclamation: *ensuring that all children can have a bright and hopeful future.*

**Comment 1**

## Comment 2

The Council appreciates that the Inspector acknowledges that implementing an "effective community outreach education program" is the "real intent" of the HHI grant program. (Report, page 16.) This pivotal point should permeate the entire Report. In the end, whether the Council succeeded in implementing an effective community outreach education program should be dispositive, trumping administrative technicalities. Indeed, the Council did accomplish this goal.

The intent and purpose of the HHI grant was further emphasized by the Council, its advisors and two HUD/Inspector representatives at the June 8, 2006 exit conference. At that conference, [REDACTED] stated that what is "important," is that the program fulfilled what was supposed to be done, thus acknowledging the importance of the programmatic goals and objectives.

## Comment 3

The Council respectfully notes that there appears to be an inherent inconsistency in the focus of the audit. While the Inspector notes the importance of the programmatic goals, those qualitative goals are not reflected in the audit's conclusion. Further, those purportedly paramount goals do not seem to be tied to any specific financial value. Specifically, the Council is given virtually no credit what-so-ever for its programmatic successes. Thus, the "real intent," namely to reach out and educate the community, is subordinated in importance in the audit by detailed and complex documentation requirements.

In his opening remarks at the exit conference, [REDACTED] stated that the conference was "primarily [REDACTED] show to tell us what occurred during the process." [REDACTED] then turned the reins over to his youthful and eager, yet seemingly thorough, employee. [REDACTED] enthusiastically stated that the Inspector "went beyond the numbers" and looked at "exactly" how things were done on this "three year grant."

## Comment 4

Although the agreed-upon grant term was 36 months, HUD terminated the grant several months before the end of the 36 month term. The Report does not seem to take this HUD-imposed truncation into account in any way, nor does it pro-rate the Council's performance standards. Rather, the Report attempts to quantify the Council's performance based on 100% of the goals and objectives for a 36 month period, when the Council was only allowed approximately 33 months of the 36 month period to perform those goals and objectives. (HUD instructed the Council that trainings to Home Visitors, etc. were to cease in mid-December 2003). The shortcoming of this approach, among others, is of serious concern to the Council.

### II. Constitutional Due Process Considerations

The Council understands that the Inspector commenced its audit of the Council, relating to the HHI grant activities, in September of 2005 and that some eight months later the Report was issued. The Council recognizes that the Inspector devoted considerable time and effort in preparing the lengthy, 30 page Report.

The Council management expressed the strong desire for a full and fair opportunity to thoroughly review, analyze and consider its response to the findings in that Report, to investigate and locate additional evidence, and to prepare other information which might be of assistance to the Inspector and HUD.

## Comment 5

As such, the Council requested, through its recently retained legal counsel, Boutin Dentino Gibson DiGiusto Hodell, Inc. ("Boutin Dentino"), both verbally and in writing, that the tentative June 8, 2006, exit conference be continued to a later date and time, to be mutually agreed-upon

**Names have been redacted for privacy**

## Comment 6

by the Inspector and the Council. Prior to June 8, the Council expressed the hope that the exit conference would be a productive process for both the Inspector and the Council, and assured the Inspector that such an exit conference would be more productive at a later date. To reach that end, the Council, its counsel Boutin Dentino, and Steve Olds, CPA (from the Council's independent auditor Williams and Olds) needed more time to prepare for the discussion with HUD/Inspector representatives [REDACTED] and [REDACTED].

In response to that request, in a telephone conversation with Stephen Boutin of Boutin Dentino, [REDACTED] indicated that an exit conference was not a necessary part of the process. The Council was not required to participate in such a conference, but that he believed a conference would be instructive to the Council. [REDACTED] courteously indicated that if such a conference were to occur, it would take place on June 8. Mr. Boutin agreed that the Council would cooperate in the process and participate in the conference on June 8, despite the inadequate time for both the Council and its advisors to thoroughly prepare. Pursuant to the Report's cover letter, the due date for the Council's formal written comments was "not later than June 15, 2006." In that same conversation with [REDACTED], Mr. Boutin requested an extension of the date by which the Council was permitted to submit a written response to the Report. [REDACTED] did not extend that June 15 deadline, although he did not cite any statute or regulation mandating that deadline.

On June 8, at the Council administrative office, the Council management team, CPA Mr. Olds, Boutin Dentino attorneys Stephen Boutin and Adrienne Meredith and HUD/Inspector representatives [REDACTED] and [REDACTED] participated in a cordial and constructive exit conference regarding the audit of the Council's HHI grant activities. A number of important issues were raised and discussed, and some questions answered. In particular, the Council acknowledges that [REDACTED] was not only congenial, but provided substantive responses in a straightforward fashion to many of the questions asked by the Council and its advisors. However, many questions posed by the Council and its advisors were either not answered or not adequately answered by the HUD/Inspector representatives.

After the conclusion of the June 8 exit conference, the Council requested in writing of [REDACTED] that an extension be granted for the submission of the Council's written comments to the Report. The Council, through its legal counsel, stated that there are matters to be followed up on, people to be contacted and documentation to be prepared and finalized. Furthermore, the Council's legal counsel re-emphasized the due process concerns at issue, i.e., given the fact that HUD has been doing the audit and preparing the Report since September 2005, and since the preliminary findings were of such gravity to the Council, that it was only fair that the Council be given the opportunity to respond comprehensively. [REDACTED] in a telephone conversation with Mr. Boutin, afforded an extension of six business days, from June 15, 2006 until June 23, 2006. The Council does appreciate this extension by [REDACTED] but this extension is not sufficient to adequately or comprehensively address the profound issues raised in the Report.

The Council is certain that the federal government's representatives share the Council's concern for fairness and due process. Neither [REDACTED] nor [REDACTED] cited any statute or regulation that required the Council to submit its written comments by June 23, just over one month from the date that the Report was sent to the Council. If there is not a statute or regulation, the Council presumes that the deadline was internally imposed. Without a statement from HUD or the Inspector regarding what, precisely, is the internal procedural rule for receiving

## Comment 7

written comments to Draft Audit Reports, it is unclear if HUD and the Inspector are simply complying with their own written internal rules.

Furthermore, it is unclear if requiring comprehensive written comments from the Council in such a short timeframe comports with the Due Process Clause, given that the Inspector had over eight months to conduct its audit and prepare its written Report. The Fifth Amendment succinctly provides, "no person shall be ... deprived of life, liberty, or property, without due process of law."

The Council had the reasonable expectation of continued reimbursement for its substantial costs associated with carrying out the HHI grant activities. For over two years HUD did not deny the Council's reimbursement requests. As such, the Council reasonably believed that the submitted documentation was sufficient.

The Council's reasonable expectation of reimbursement for the HHI grant for the valuable services that the Council was providing to reach out to at-risk families, created a property interest in those grant monies. That property interest is of critical importance to the financial vitality of the Council. Without reimbursement for the valuable services the Council provided to at-risk families, the Council's financial health and longevity will be in grave of danger. Succinctly stated, the Inspector's findings, if sustained, will be financially devastating to the Council. Since its founding in 1977, the Council has led the way in child protection efforts, pioneering successful child abuse prevention programs that have become models for other groups throughout California and the nation. This well-respected, innovative Sacramento non-profit may have to scale back or discontinue its worthwhile and much needed services if the recommendations in the Report are accepted.

It is unclear how HUD's interest in administrative efficiency is of such import that it outweighs the Council's interest in having a reasonably adequate amount of time to comprehensively respond to the 30 page Report prepared by the Inspector. It does not seem unreasonable that the Council be provided with adequate time (more than approximately one month) to respond to the issues and concerns raised in that Report. Mr. Boutin raised, both verbally and in writing, several of the Council's concerns and respectfully requested that the Council be afforded more time to respond. Mr. Boutin also noted that he would be on his pre-arranged family vacation through June 26. If the written comments were due to [REDACTED], no later than June 23, Mr. Boutin, as lead legal counsel, would not have the opportunity to review, revise or supplement the response, thus hindering the Council's ability to adequately and comprehensively respond from a legal standpoint. Nonetheless, the Council recognizes that the deadline for submission is June 23, 2006 and respectfully submits this response. We understand that the Council's response will be thoroughly reviewed and considered by the Inspector before the Inspector prepares its final report to Mr. Jon L. Gant, Director, Office of Healthy Homes and Lead Hazard control, L.

## Comment 8

Certainly, it is more important to do this process right than fast. The Council has made a good faith effort to respond to the Report in the extraordinarily short timeframe permitted. However, the Council has had an inadequate amount of time to prepare a comprehensive response, thus prejudicing its response. The Council respectfully requests the right to further supplement its response until June 30, 2006, the date that the Council understands that [REDACTED] office intends to wrap up its recommendations. Furthermore, the Council hopes that there will be further opportunity to elaborate, in writing or otherwise, on the legal and factual issues raised in this written response or otherwise raised. Lastly, the Council anticipates that it will be afforded a

## Comment 9

full and fair “opportunity for hearing, appeal, or other administrative proceeding to which [the Council] is entitled under any statute or regulation applicable to the action involved.” Title 24, Section 84.62(b).

### III. Law Governing the Interpretation of the Agreement

The interpretation of the Council /HUD HHI Grant Agreement (“Agreement”) is governed by federal common law. The “obligations to and right of the United States under its contracts are governed exclusively by federal law.” *Boyle v. United Technologies Corp.*, 487 U.S. 500, 504 (1988). Accordingly, “[i]n [the] absence of an applicable Act of Congress it is for the federal courts to fashion the governing rule of law according to their own standards.” *Clearfield Trust Co. v. United States*, 318 U.S. 363, 367 (1943). It appears that there is not a federal statutory framework specifically relating to principles of contract interpretation. Looking to *Clearfield* as a guide, it appears that the interpretation of the Agreement is governed by federal common law. This conclusion was recently reinforced by U.S. Supreme Court Justice Breyer: “At bottom, then, the petitioner’s claim is based on the interpretation of a federal contract, and as such should be governed by federal common law.” *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. \_\_\_, at page 7 of Breyer’s dissent, (2006).

California law is most likely the federal rule of decision in interpreting the Agreement. *Clearfield* acknowledges that state law can be the federal rule in appropriate circumstances. “In our choice of the applicable federal rule we have occasionally selected state law ... But reasons which may make state law at times the appropriate federal rule are singularly inappropriate here.” *Clearfield Trust Co.* at 367. State law application was not appropriate in *Clearfield* because it would “lead to great diversity in results by making *identical transactions* subject to the vagaries of the laws of the several states.” *Id.* at 367. (Emphasis added.)

*Clearfield* involved the rights and duties of the United States as related to commercial paper/checks issued for services performed under the Federal Emergency Relief Act. The Court noted that “[t]he issuance of commercial paper by the United States is on a *vast scale* and transactions in that paper from issuance to payment will commonly occur in several states. The application of state law ... would subject the rights and duties of the United States to *exceptional uncertainty*.” *Id.* (Emphasis added.)

The Agreement is not akin to the issuance of commercial paper by the United States because the issuance of commercial paper is on a vast scale, potentially occurring in all states. The Agreement is a singular, unique contract executed by the Council in the State of California. No contracts are precisely identical to the Agreement. Therefore, the concern that identical transactions would be subjected to the vagaries of the laws of the several states, does not exist in this case.

Using California law as the federal rule of decision in interpreting the Agreement comports with the Court’s modern approach. “[T]he current approach ... suggests that ... while under *Clearfield* federal common law governs, *in general it will incorporate state law* as the rule of decision.” *Empire Healthchoice*, at page 12 of Breyer’s dissent, (2006), citing R. Fallon, D. Meltzer, & D. Shapiro, Hart and Wechsler’s *The Federal Courts and the Federal System* 700 (5<sup>th</sup> ed. 2003) (Emphasis added). Furthermore, unless there is a good reason not to, California contract law should govern the interpretation of the Agreement. “In recent years, the Supreme Court has put increasing emphasis on the notion that when determining what should be the content of federal common law, the law of the forum state should be adopted absent some good



reason to displace it.” *Empire Healthchoice*, at page 12 of Breyer’s dissent, (2006), citing C. Wright, A. Miller, & E. Cooper, *Federal Practice and Procedure* §4518, at 572-573.

Therefore, the California Civil Code, which states “The Code ... and its provisions are to be liberally construed with a view to effect its objects and to promote justice” is applicable to this Agreement. California Civil Code (“CCC”) §4. The Council seeks a just reading of the Agreement, specifically applying CCC §1635 *et seq.* relating to the principles of contract interpretation.

#### IV. The Council’s De Facto Partner: The Government Technical Representative

At the June 8 exit conference, the Council and its advisors brought with them copies of what was, according to [REDACTED] cover letter, “a fully executed copy of your HUD Grant.” [REDACTED] affirmed that this was HUD’s Agreement. Mr. Boutin noted that no pages identified as pages 1 and 2 were included and asked the HUD/Inspector representatives to confirm that the Council has a complete copy of what the Report referred to as the “grant Agreement.” Although the HUD/Inspector representatives were not able to confirm the completeness of the copy at that exit conference, [REDACTED] sent an email to Mr. Boutin on June 12, stating, “After reviewing the grant Agreement from various sources (myself, assist (sic) auditor, HUD grant file), we can safely conclude that the grant Agreement you have is complete and represents the grant Agreement maintained by HUD.” Although the Council’s copy is apparently complete, the first numbered page, following two unnumbered pages of the Agreement is page 3.

The first unnumbered page of that Agreement denotes, in box 9, that the HUD Government Technical Representative (“GTR”) is [REDACTED]. “The GTR is the “HUD individual who is responsible for the technical administration of the grant, the evaluation of performance under the grant, the acceptance of technical reports or projects, and other such specific responsibilities as may be stipulated in the grant.” (Agreement, page 3, Definition D). (Emphasis added). The Council understands “technical administration” encompasses the technical aspects of the grant, including compliance with the government’s technical financial documentation requirements.

Furthermore, “*During the effective period of this grant*, the Government Technical Representative and/or the Government Technical Monitor identified in Block 9 of the cover page shall be responsible for monitoring the technical effort of the grantee, unless the grantee is notified in writing by the Grant Officer of a replacement.” (Agreement, page 5, Conduct of Work (a)). (Emphasis added). “Shall” is mandatory, not permissive. Accordingly, the Agreement mandated that [REDACTED], or her replacement, was to be monitoring the Council’s technical effort from the inception of the grant in March 2001.

From a review of the express language of the Agreement, it appears that the GTR appears to play a crucial role to the successful administration of the grant. Effectively, the GTR was to be a de facto partner with the Council in this successful administration, and that included monitoring the Council’s technical effort. It is not clear to the Council that this required technical monitoring occurred throughout the effective period of the grant.

At the June 8 exit conference [REDACTED] stated that [REDACTED], the GTR named in the Agreement, was no longer the Council GTR, but was “apparently” with HUD as the “original GTR.” She then stated, thereafter “several people” worked with and on the grant. When [REDACTED]

Child Abuse Prevention Council of Sacramento, Inc.’s Written Comments

Page 6  
6/23/2006

Comment 10

**Comment 11**

Boutin asked if there was a paper trail of the GTR changes, ██████ said "certainly," by "any number of mechanisms," although she did not identify any specific communications. ██████ acknowledged that at some point during the grant, "a lot of those duties transferred" to her. The Council now understands that ██████ was to have been that effective partner in the grant administration, and in that role she was contractually mandated to monitor the Council's technical efforts.

The type-written language of the Agreement represents the agreed-to terms. However, the copy of the Agreement, acknowledged by HUD to be the "grant Agreement maintained by HUD," contains handwritten comments which the Council believes are not those of its staff. (Agreement, eighth unnumbered page after page 23.) One of those comments is "Quality control for data entry?" This initial concern was apparently not made known to the Council when the grant commenced. However, had the Council been on notice regarding this concern, perhaps some of the issues raised in the Report may have been avoided. It appears that an opportunity for direction and guidance was missed.

**Comment 12**

The type-written language of the Agreement also states, "The GTR shall have the sole responsibility for HUD review, correction, and acceptance of the Official Products of Work of this grant. Such review(s) shall be carried out promptly by the GTR, so as not to impede the work of the grantee. The Products of Work shall be *deemed as accepted* as submitted if the GTR has not issued written comments and/or required corrections within thirty (30) days of the date of the GTR's receipt of such product from the grantee." (Agreement, page 6, Review of Official Products of Work (b)(1)). (Emphasis added). Products of Work include "All interim and final reports" and "Other physical materials and products produced directly under the Statement of Work of this grant." (Agreement, page 6, Review of Official Products of Work (a)(1), (3)).

Pursuant to the Agreement, the Council dutifully submitted informative narrative quarterly progress reports, describing important events, milestones, work plan progress, and problems encountered during the period the Council was permitted to carry out its grant activities. The Council understands that ██████ was solely responsible for reviewing those reports, and those reports, and the information contained therein, were deemed accepted if, and when, ██████ did not respond in writing with comments and/or corrections within 30 days. The Council understands that its report and ██████ corresponding comments represent a contractually established line of communication whereby issues regarding the technical aspect of the grant could, and perhaps should, have been raised.

**Comment 13**

From the inception of the grant, ██████ made one announced site visit to the Council administrative office in February 2003. (This was after the Council unabashedly raised, in its quarterly progress reports, several personnel setbacks. These setbacks included a Trainer with a broken back and a change in the Program Manager position.) ██████ and the management staff had a cordial, albeit short meeting. ██████ did not raise specific concerns regarding the Council's financial documentation. (Through April 2003, the Council had been consistently reimbursed for over \$606,000 in costs incurred related to the HUD grant. No reimbursements had been denied up to that point.) At the short meeting, ██████ was invited to go on a site visit to observe a Family Resource Center (FRC) where some of the community educational outreach was being carried out. ██████ was unable to accept that offer as she had already committed herself to lunch plans with a personal friend. It appears that an opportunity for a constructive exchange was missed. The Report now identifies a lack of supporting documentation regarding material distribution at FRCs.



█████████ unannounced second and final site visit to the Council (other than the exit conference) was on or about June 19, 2003. This visit occurred over two years and three months after the commencement of the three year grant, or approximately 75% of the way through the grant term (and a mere seven months prior to the HUD truncation). ██████████ insisted on financial documentation relating to the HUD grant. When ██████████, the Council's Training Division Manager inquired as to "why?" ██████████ did not provide a substantive response. Instead, she promised to send ██████████ a letter explaining the concern. No such letter was received by ██████████. The Council staff dutifully boxed the Council's original financial documentation and turned it over to ██████████, who then took the documentation. Documentation was returned to the Council after it was photocopied by HUD. However, no log detailed the documentation provided to ██████████ and no log detailed the documentation returned to the Council.

Given ██████████ statement at the exit conference that the Council's grant is "large for this initiative" and that the Council's was "one of the first notices authorized for this program," the Council is surprised that the partnership with the GTR was not more fully and effectively established over the course of the grant.

The Council endeavors to succeed from both programmatic and administrative perspectives in all its grant programs. In so doing, the Council works hard to improve on any perceived shortcomings. If, at the beginning of the grant, the GTR partner identified concerns regarding the Council's financial documentation, the Council would have diligently worked to mitigate and remedy those concerns.

#### V. Equitable Considerations

After the exit conference had officially adjourned, ██████████ inquired of ██████████ as to the home visit goals and objectives denoted in the Report. ██████████ honestly admitted that "the Agreement is a little unclear." (Emphasis added.) As he had a airplane flight to catch, ██████████ promised to send ██████████ an email explaining the home visits. He did follow up with a short email.

The Council understood, from the language of the Agreement, that it would be reimbursed for the costs necessarily incurred in the pursuit of the goals and objectives of the grant. The paragraph entitled "Scope of Work (Cost-Reimbursement)" states that "The grantee *shall furnish* the necessary personnel, materials, services, equipment, facilities ... and otherwise do *all things necessary* for or incidental to the performance of work..." (Agreement, page 3.) The Council was contractually mandated to provide all things necessary and it did so. The paragraph heading, "Scope of Work (Cost-Reimbursement)," implies that the Council would be reimbursed for these necessary personnel, materials, services, equipment and facilities. The reimbursement that the Council is requesting is for such expenses as were reasonable and necessary, and thus mandatory to the program. Of note, the Inspector does not seem to be contending that the expenses were not necessary, but rather, that they were not documented to the technical standards.

Moreover, the Agreement goes on to state, "The grantee *shall be* reimbursed for costs incurred in the performance of work under this grant in an amount not-to-exceed \$1,500,000.00." (Agreement, page 4.) (Italics added.) "Shall" is mandatory. The Agreement clearly and explicitly states that the Council is to be reimbursed for the costs incurred in performing the grant activities. The Council seeks no more and no less than the costs that it has incurred in its

Comment 14

Comment 15

Comment 16

**Comment 17**

substantial performance of the real intent of this grant: community educational outreach to at-risk families.

Furthermore, the Agreement states, "For the performance of the work under this instrument, HUD shall reimburse the grantee for costs incurred (hereafter referred to as "allowable costs") which are determined by the Grant Officer to be allowable, allocable and reasonable..." (Agreement, page 4.) This government drafted statement is arguably ambiguous. "[T]he language of a contract should be interpreted most strongly against the party who caused the uncertainty to exist." CCC §1654. "Costs incurred" are referred to as "allowable costs," yet later in the same sentence, the Grant Officer is to determine the allowability, allocability and reasonableness of the costs incurred. This ambiguity should be interpreted in the Council's favor. Therefore, costs incurred should be construed to mean "allowable costs," thus buttressing the aforementioned Agreement language regarding cost reimbursement.

**Comment 18**

Finally, and perhaps most telling is HUD's conduct, its consistent and repeated payment by HUD of the Council's costs incurred for much of the grant term supports the Council's interpretation that it should be reimbursed for necessary costs incurred. The Council understands that neither the current Grants Officer, [REDACTED], nor her predecessors, expressly deemed during the period of the grant, that the costs the Council incurred in the performance of its grant activities to not be allowable.

On June 8, [REDACTED] admitted that when a bill is submitted that it "should be adequate information to pay" and that "went on for a while." Upon later inquiry from Mr. Boutin, [REDACTED] admitted that just because the bill is accepted "does not mean someone reviewed" it; "that's what occurred here." [REDACTED] then bluntly noted that he has been working with HUD for 19 years, and "we can ask for money back, all programs work that way." The Council respectfully submits that the Council reasonably relied on the fact that HUD was reimbursing it for its expenses, and HUD is thereby equitably estopped from "asking for money back."

**Comment 19**

Not only is the Agreement "a little unclear," to use [REDACTED] candid words, but it is also oblique as to the financial documentation required of the Council. The Report repeatedly references Office of Management and Budget Circulars ("OMB") A-110 and A-122 to support its findings. Five of the 23 numbered pages of the Agreement (pages 9-13) focus on "Patent Right (Small Business Firms And Non-Profit Organizations)," which are of no apparent consequence to this grant. Five pages of the Agreement (pages 14-18) are dedicated to a detailed review the "Limitation On Payments To Influence Certain Federal Transactions (\$100,000)." Additionally, three pages of the Agreement (pages 18-20) go into depth regarding operating a "Drug-Free Workplace (Recipients Other Than Individuals)." However, there appears to be only one oblique reference to OMB Circular A-110 and one minor reference to OMB Circular A-122. (Agreement, first unnumbered page; Agreement, page 5).

The Inspector bases many of its findings on the technical requirements of OMB Circulars A-110 and A-122, neither of which were emphasized in the Agreement. Assuming that these two circulars are applicable to the Agreement, the Council recognizes that OMB circular A-122 states, "OMB may grant exceptions to the requirements of this Circular..." thus acknowledging the possibility that the provisions need not be applied in every circumstance. (Paragraph 8.) The Council respectfully requests that Inspector recognize the Council's diligent pursuit of the grant goals of objectives and not allow technicalities to trump the organization's good and valuable work.

**Comment 20**

The Council acknowledges that the Report identifies "\$195,264 in ineligible expenses and \$376,390 in unsupported expenses." (Report, page 2.) Inspector recommends that the Council repay these monies "unless it can provide adequate supporting documentation." The Report also notes that "HUD not pay the Council for outstanding reimbursement requests, consisting of \$210,576 in ineligible expenses and \$209,649 in unsupported expenses, unless it can provide adequate supporting documentation." (Report, page 2.) The Council hereby submits documentation that it believes supports what the Inspector has characterized as ineligible and unsupported expenses. If any of this documentation proves inadequate, the Council requests that Inspector/HUD specify for the Council precisely what documentation would be adequate.

**Comment 21**

**VI. The Significance of "Goals" and "Objectives"**

At the June 8 exit conference, ██████████ stated that appendix, page 30 of the Report contained the "Statement of Work" and it was "straight out of the grant Agreement." This statement is accurate in most regards, but is inaccurate in a most significant way. In the Agreement, the page is not entitled "Statement of Work," but rather, is entitled "II. Goals and Objectives."

A basic tenet of contract analysis is that capitalized terms are terms of art with very specific definitions. Therefore, any reference to a "Statement of Work" is a reference to something very specific. However, "Statement of Work" is not defined in the definitions on page 3 of the Agreement. This shortcoming in the Agreement is construed against the drafter. CCC §1654.

"The words of a contract are to be understood in their ordinary and popular sense, rather than according to their strict legal meaning..." CCC §1644. The ordinary meaning of "goal" is "the purpose toward which an endeavor is directed; an objective." American Heritage Dictionary of the English Language, Fourth Edition, (2000). Likewise, the ordinary meaning of "objective" is "something worked toward or striven for; a goal." *Id.* Neither the definition of "goal" nor the definition of "objective" requires the actual or complete achievement of that goal or objective. Rather, those words connote purposeful actions taken toward an end. The Council acted purposefully to achieve these goals and objectives aimed at educational outreach to at-risk families. And, the Council largely achieved and often times notably exceeded, the agreed-upon goals and objectives.

**Comment 22**

Moreover, the Council, pursuant to the Agreement, submitted quarterly progress reports. These reports "shall consist of a narrative, which describes important events, milestones, work plan progress, and problems encountered during the period." (Agreement, page 13.) Of note, the Council was not contractually required to qualitatively quantify whether a "goal" or "objective" was 100% accomplished, but rather, was to report on the events, milestones, progress and problems encountered in carrying out the goals and objectives. A final report was also submitted summarizing plans, execution of the plans, achievements and lessons learned. The Council matter-of-factly summarized its achievements and lessons learned. The Council's reports conveyed, in a straightforward fashion, both achievements and bumps along the way (including one critical employee breaking his back during the latter portion of the grant).

It is now surprising, and of great concern to the Council, that the Inspector now quantifies the Council's performance in such stark black and white fashion. It would appear that the methodology utilized by the Inspector is an "all or nothing" approach. This does not comport with the express language of the Agreement or the mutual intent of the parties. Nor does it promote forthright reporting.

## Comment 23

The Inspector is recommending that the Council repay or not be reimbursed for 97% of its expenses, despite the fact that the Council largely met its goals and objectives. The Agreement does not state that 100% completion of the goals and objectives is a condition precedent to the reimbursement of expenses. The Council is a pioneering organization that takes on the challenge of reaching out to at-risk families. Its programs are innovative. Funds should not be withheld simply because the organization substantially achieved the lofty, and laudable, goals and objectives.

Neither the Agreement nor the federal statute regarding monitoring and reporting program performance mandates 100% completion of all goals and objectives before reimbursement is forthcoming. Title 24, Section 84.51, cited on page 22 of the Agreement, specifies that a "performance report shall generally contain ... A comparison of actual accomplishments with the goals and objectives ... Reasons why established goals were not met..." Notably, this Section makes no statement that the grantee will not be reimbursed for work done in pursuit of those goals and objectives. Nor does it state that those goals and objectives must be 100%-satisfied in order to receive reimbursement for costs incurred.

The Council is certain that HUD appreciates straightforward reporting that identifies accomplishments and challenges. This is what the Council provided to HUD. To require a grantee to meet 100% of the goals and objectives, and otherwise withhold payment, is contrary to the public policy objective of encouraging non-profits to tackle pressing societal concerns, especially those relating to children and educational outreach to low-income and at-risk families.

"The language of a contract is to govern its interpretation, if the language is clear and explicit, and does not involve an absurdity." CCC §1638. The Agreement clearly, explicitly identifies performance "goals" and "objectives" and does not refer to those goals or objectives as a "Statement of Work." To rename or reinterpret performance goals and objectives as a "Statement of Work" whereby each and every enumerated item must supposedly be accomplished in full before funding is forthcoming, is not an accurate interpretation of the language in the Agreement, nor does it comport with the legal principles of contract interpretation.

Regarding the performance goals, Mr. Boutin asked on June 8, if there was some positive or negative adjustment, i.e., unless the goal or objective was 100% satisfied, did the Council get no credit and receive no money? Correspondingly, he inquired did HUD/Inspector take note of the many occasions that the Council surpassed the performance goals and objectives? [REDACTED] acknowledged the shortfall in the Inspector's analysis, stating "I see where you are coming from." However, HUD/Inspector did not ever substantively address that shortfall, and at one point during the exit conference stated "forget" the "percentage" and "plus or minus." The Council urges HUD/Inspector not to forget this concept, but rather, to recognize its merits. For instance, the Inspector notes the Council accomplished training 333 persons regarding secondhand smoke. This was 90% of the goal of 370 persons trained. Likewise, Inspector recognizes the Council trained 340 persons regarding home environment. This was nearly 92% of the goal. Rather than lauding the Council's accomplishments, the Inspector characterizes these statistics as evidence of the Council's abysmal failure to effectively carry out the HHI grant activities.

**Comment 24**

Finally, the Council believes that [REDACTED] statement, repeated several times at the June 8 conference that "HUD is not the primary source of funding" is irrelevant. The Council acknowledges that HUD is not its primary funding source. That, however, does not mean that the HUD grant is unimportant to the organization's financial viability. Quite the contrary, the HUD grant, a large portion of which is AmeriCorps/training fee related, is critical to this organization's financial viability.

**VII. The Council's Response to Inspector's Finding 2: The Council Substantially Performed the Goals and Objectives**

Not only did the Council successfully carry out the commitments of the Agreement, it met and exceeded many of the performance goals by significant measure. The health and quality of life of hundreds of children and their families was improved by the healthy home environment lessons they learned through the Council's outreach relating to asthma awareness, the dangers of secondhand smoke, mold, dust and dust mites, lead based poisoning, etc.

**A. Training**

The Council substantially met the contract performance requirements. For example, the Council's goal was to conduct a total of 108 training sessions in four topic areas: Asthma; Secondhand Smoke; Home Environment; and Lead Based Poisoning. The Council, in fact, met each training session goal by conducting a total of 145 training sessions in these areas, exceeding the goal by 34%. The table below details the trainings conducted:

Performance Category	Goal	Accomplished	Percent of Goal
Asthma	24 sessions	39 sessions	162%
Secondhand Smoke	24 sessions	30 sessions	125%
Home Environment	24 sessions	30 sessions	125%
Lead Based Poisoning	36 sessions	46 sessions	128%
<b>TOTAL</b>	<b>108 sessions</b>	<b>124 sessions</b>	<b>134%</b>

Secondly, the Council's goal was to train a total of 1,880 individuals. The Council exceeded that goal by almost 8%, as 2,024 individuals were trained. The table below details that training:

Performance Category	Goal	Accomplished	Percent of Goal
Asthma	370 persons	442 persons	120%
Secondhand Smoke	370 persons	333 persons	90%*
Home Environment	370 persons	340 persons	92%*
Lead Based Poisoning	470 persons	560 persons	120%
Parents/Adult Caregivers	200 persons	307 persons	150%
Childcare Providers	100 persons	42 persons	42%*
<b>TOTAL</b>	<b>1,880 sessions</b>	<b>2,024 persons</b>	<b>108%</b>

\*These performance categories would almost certainly have been met or exceeded had the Council been allowed to continue the grant through the contract period of performance of March 14, 2003. HUD terminated the grant term prematurely.

Asthma, Secondhand Smoke and Home Environment modules were delivered within the same class. This curriculum and the corresponding training materials supporting this statement were provided to HUD during the audit. The Report indicates that 442 persons were trained in

**Comment 26**

**Comment 27**



Asthma, 333 persons on Secondhand Smoke, and 340 in Home Environment. Therefore, the Council does not understand the discrepancy in the number of persons trained with regard to each of those three training modules. Documentation will be available upon request.

The final HUD Evaluation Report from the independent evaluation consultant, Minicucci Associates, a copy of which was provided to [REDACTED], reported that pre- and post- test results for the Caring for Your Lungs training showed a 25% increase in participants knowledge, and a 33% increase in participant knowledge after completion of the Lead Based Poisoning training.

#### **B. Home Visits**

The Council understood that its goal was to conduct home visits to 700 families, with 2,100 home visits occurring over the course of the 36 month grant term. With respect to these home visits goals, the final HUD Evaluation Report stated that 2,211 home visits were conducted to 737 families, as opposed to the 1,399 home visits to 548 families the Council was given credit for in the Report.

The Inspector apparently did not count 56 actual home visits because the record charts apparently did not contain a date. However, the record charts for those 56 families clearly indicate the "first home visit" and the "third home visit." The undated home visit was logically the "second home visit," and the Council should be given due credit for work completed. Therefore, these 56 home visits should be counted in the Inspector's Report.

Furthermore, the Report states that the Council allowed persons to attend the same training twice. If such occurrences happened, they were isolated incidences where perhaps the person failed the post-test or was not able to attend the entire training session the first time, and was allowed to re-take the class. The Council is dedicated to serving those most at-risk. It respectfully, but resolutely, disavows the implication that it would inflate its reported numbers. This is not the case. The Council's credibility with regard to its reporting is evidenced by the Council's straightforward acknowledgment, both in historical progress reports, and at the present time, that bumps did occur during the performance of the grant activities. However, these challenges were reported and numbers were not intentionally inflated, as the Report seems to imply.

Additionally, the Reports states "the home visit recording charts showed numerous instances in which consecutive home visits were conducted on the same day or less than weekly." (Report, page 18.) Home visitation best practices dictate that families receive home visits on a regular basis, such as weekly, or more or less often depending on the family's needs. Respecting the family's wishes regarding the frequency of home visits is paramount to building a trusting relationship between the Home Visitor and family. Only with a trusting relationship will a family allow a Home Visitor to enter the home, be responsive to the information or suggestions the Home Visitor provides, and to confide in the Home Visitor about any challenges the family is facing. There is not a blanket schedule that works for every family.

#### **C. Family Resource Centers Distribution of Materials**

On June 8, [REDACTED] noted that the Council gave the Inspector documentation demonstrating the distribution of materials to FRC Aides. Furthermore, she asked during the conference for the Inspector to provide her with more information regarding what the Inspector required to further document the distribution of materials. [REDACTED] responded that the Council needed to provide documentation demonstrating the distribution of materials "by

**Comment 28**

**Comment 29**

**Comment 30**

**Comment 31**

**Comment 32**

AmeriCorps members.” He further noted that the Council should provide documentation as to the “hours, time and date” they were at the FRC and what they did or a time-log showing actual activities.

With respect to the “Distribution of Materials” the Report states that there was “lack of support” to show that HHI materials were distributed to FRCs. (Report, page 17.) The Agreement does not specify that the Council copiously document the distribution of materials to the at-risk families, nor does the Agreement specify that the Council document the “hours, time and date” AmeriCorps members spent at the FRCs. This hypothetical and heightened documentation standard would be onerous, if not impossible, as hundreds of individuals come to FRCs and pick up/receive many different types of materials, ranging from bus schedules, parenting class information/schedules, to health insurance enrollment information, etc. In any one visit, a family could receive a dozen different, and important materials, and therefore would be exceedingly difficult to document. Not only would this have been exceedingly difficult, but the minimal time window to interface with those most at-risk would have been consumed with documentation. This supposed documentation requirement, unstated in either the grant proposal or Agreement, does not go to the “real intent” of the grant activities, but rather, could hinder that intent.

The Report states that there was lack of support to show that HHI materials were distributed to families at FRCs. HUD already has information from the Council regarding the distribution of materials. For instance, in the quarterly progress reporting period ending March 31, 2003, Section C5, the Council submitted to HUD, eight tables detailing the distribution of said materials in Year 1 and Year 2 of the grant. The Council submitted the same information to [REDACTED] in the High Risk Status response memo dated February 12, 2003. The process to verify this information is that FRC Aides were trained on the materials during the HHI trainings. FRC Aides reviewed and discussed information in the materials during the trainings, brought the materials to FRCs and distributed the materials to at-risk families. Each subject of materials contained approximately 100 brochures, flyers or other handouts. In site visits to the FRCs the Council verified the distribution of the materials and FRC Aides requested additional materials. Training logs and FRC Aide's signatures provide additional support that FRC Aides received and distributed the materials. The Council can provide this documentation upon request.

The Year 1 tables in the quarterly progress report demonstrate the following distribution of materials:

Subject of Materials	Number of FRCs that Received the Materials	Date Each Subject of Materials Received
A is for Asthma Secondhand Smoke Home Environment	14 FRCs	November 16, 2001 January 25, 2002
Lead Based Poisoning	18 FRCs	October, 26, 2001 December 7, 2001 January 25, 2002 February 22, 2002 March 15, 2002

Contrary to the HUD finding, the Council accomplished the Year 1 FRC Material Distribution goal to distribute materials to 14 FRCs (although the Report states that the Year 1 goal of

distribution of materials was to be to 13 FRCs, the Council acknowledges that the goal as reflected in the Agreement called for the distribution of materials to 14 FRCs. (Report, page 17.) The table above indicates that 14 FRCs received A is for Asthma, Secondhand Smoke and Home Environment materials, meeting the goal. Eighteen FRCs received Lead Based Poisoning materials, exceeding the goal by 29%. The detailed list of FRC locations that distributed materials, as outlined in the Quarterly Report Attachment K is available upon request.

The Year 2 tables in the quarterly progress reports demonstrate the following distribution of materials:

Subject of Materials	Number of FRCs that Received the Materials	Date Each Subject of Materials Received
A is for Asthma Secondhand Smoke Home Environment	39 FRCs	October 11, 2002 October 18, 2002 February 7, 2003 March 14, 2003 March 21, 2003 March 25, 2003
Lead Based Poisoning	38 FRCs	April 26, 2002 June 28, 2002 November 22, 2002 December 6, 2002 December 13, 2002 February 28, 2003 March 11, 2003 March 21, 2003 March 28, 2003

Contrary to the HUD finding, the Council exceeded the FRC Distribution goals for both years. In Year 2, the goal was to distribute materials to 17 FRCs. The table above indicates that 39 FRCs received A is for Asthma, Secondhand Smoke and Home Environment materials, exceeding the goal by 129%. Thirty-eight (38) FRCs received Lead Based Poisoning materials, exceeding the goal by 123%. The detailed list of FRC locations that distributed materials, as outlined in the Quarterly Report is available upon request.

During the audit, Inspector Auditor, [REDACTED], in a conversation with the Council staff, verbally requested that the Council provide to her "documentation of materials distributed." Although [REDACTED] did not follow-up her request in writing, the Council diligently prepared and submitted a response On November 11, 2005. The Council understood the request was regarding the distribution of materials at locations *other than* at FRCs, and responded accordingly. Had this miscommunication not occurred and [REDACTED] had followed-up the request in writing, the Council would have submitted the appropriate documentation at that time.

#### D. Teleconferences

The Agreement stated that teleconferences were to take place in two counties in Year 1 and four counties in Year 2. The Year 1 goal was met as teleconferences took place in three counties. In Year 2, teleconferences took place in three counties. Overall, the Council successfully completed a total of six teleconferences, thus attaining the overall performance goal of six



teleconferences in two years. The Council would be very surprised, and disappointed if the Inspector or HUD did not consider the Council's ambitious Year 1 grant activities with regard to the teleconferences as a head start on the Year 2 goals.

Moreover, in lieu of a typical seventh teleconference, the Council took an innovative approach and offered, above and beyond its stated performance goals, a Childhood Health Symposium in conjunction with UC Davis Medical Center, the American Lung Association of Sacramento, and the Sacramento Department of Health and Human Services on April 29, 2003. The Childhood Healthy Symposium was a day-long event and featured two expert panels in the morning, and "breakout sessions" in the afternoon focusing on childhood health and safety including "Caring for Your Lungs – Asthma Awareness, Secondhand Smoke and the Home Environment," "Child Safety and Home Environment," "Childhood Illnesses and Diseases," and "Lead Based Poisoning." Sixty-two people were in attendance at this very informative and well received Symposium. [REDACTED] invited [REDACTED] to attend the Symposium via an email dated June 9, 2003. [REDACTED] did not attend the Symposium.

[REDACTED] received quarterly progress reports on a timely basis from the Council, and was apprised of the activities taking place and areas where challenges were met and addressed. The Council met with several challenges early on in the grant program, and these challenges were forthrightly acknowledged in the Council's progress reports. A key employee, [REDACTED], Trainer, whose contributions were critical, broke his back in a water accident on May 31, 2002 (early in Program Year 2) and was on medical leave for four months. Additionally, [REDACTED], the Program Manager moved to a different position within the Council, and [REDACTED] was hired on August 1, 2002. As was the case, these significant personnel challenges caused downtime in program operations. [REDACTED] the GTR was timely kept informed by the Council about these staff challenges.

A "Letter of High Risk" was issued to the Council in January 2003, nearly two years into the grant term (and less than one year prior to HUD's truncation of the grant activities). The Council responded to the letter, and provided the information requested, thus cooperatively addressing remediating all concerns raised by GTR, [REDACTED]. The "flurry of activity" referenced in the Inspector's Finding Outline dated April 28, 2006, towards the later part of the grant term was due to the Council's responsiveness to HUD's concerns about the grant performance as outlined in the Letter of High Risk Status and other subsequent correspondence /conversations with [REDACTED]. The Council was very concerned about satisfying the requirements of the grant, as well as in the delivery of important information to at-risk families. Therefore the Council focused resources and manpower towards this effort.

[REDACTED] then conducted a site visit in February 2003, and sent [REDACTED] an email after the visit, on March 7, 2003, stating "I did speak with [REDACTED] the other day about our visit and iterated a sense of assuredness after our visit." (Emphasis added.) Then, on April 29, 2003, [REDACTED] sent [REDACTED] an email response to the receipt of the January to March 2003 Quarterly Report stating, "beautiful!" Such a laudatory response led the Council to reasonably believe that HUD was satisfied with the Council's performance and technical efforts.

#### E. The Council's Conclusion to the Inspector's Finding 2

Thousands of children and families lives have been touched and improved by the important work the Council performed under the HUD HHI program. The Council's program of home visitation and FRCs gave HUD a unique opportunity to access and reach out to families in a safe and non-

## Comment 35

threatening manner regarding the importance of achieving a healthy home environment. After a bumpy start due to circumstances beyond the Council's control, the grant's "real intent" of providing education, prevention and training to targeted families was accomplished.

The Council believes that it has more than adequately demonstrated substantial performance of the grant goals and objectives. However, if HUD/Inspector finds it necessary that additional evidence be provided to support this finding, the Council will cooperate with that request.

The Council is currently simultaneously administering and executing a multitude of grant programs for those in our society who are most at-risk, especially our children. A list of those grants follows:

Grant Name	Funder
California Alliance for Prevention	Corporation for National and Community Service
Youth Investment Center	California Service Corps
Great Beginnings	California Service Corps
Sacramento Sierra Child Death Review Team	California Office of Emergency Service
Operation Graduation	Corrections Standards Authority
Foster Youth Flourish	United Way
VISTA Training	Corporation for Community and National Service
Safe Beginnings	Sacramento First 5 Commission
Birth & Beyond	Sacramento County Department of Health and Human Services
Child Welfare Redesign	Sacramento County Department of Health and Human Services
State Child Death Review Team	State Department of Health and Human Services
Substance Abuse Prevention Initiative	Sacramento First 5 Commission
Quality Child Care	Sacramento First 5 Commission
Sacramento Achieves	California Service Corps
Child Welfare Services Redesign	Sacramento County Department of Health and Human Services
Youth Advocates	Sacramento County Department of Health and Human Services
Information and Referral Line	Sacramento County Department of Health and Human Services
Mandated Reporter Training	Sutter Medical Center
Preventing Shaken Baby Syndrome	Sutter Medical Center
Your Family Finances	American Express

The Inspector's findings if not revised would have a devastating effect on the Council's reputation and financial viability, thus jeopardizing the Council's on-going, and valuable outreach programs to children and families.

### VIII. The Council's Response to the Inspector's Finding 1: The Council Should Be Reimbursed for \$941,237; the Necessary Costs Incurred in the Course of Performing the Grant

#### A. Analysis of AmeriCorps Fees: The Council is Eligible for \$312,500 of Claimed Fees

**Comment 36**

The Report indicates that the Council “misinterpreted” the Agreement, and thereby inappropriately claimed a \$500 training fee per member, per training session attended. (Report, page 6.) The Report states that the fee was available only when an AmeriCorps member completed all four training sessions as well as three home visits on the training topics.

The Council is pleased that HUD acknowledges that trainings took place and are properly documented. The AmeriCorps funds were for training fees. However, the Inspector (and notably not the party who executed the Agreement on behalf of HUD) now inaccurately interprets this to mean \$500 per member, per cycle. The Council’s intent and consistent interpretation was that it was to be reimbursed at the rate of \$500 per member, per training session.

**Comment 37**

On June 8, ██████ explained that HUD was told by the Council “*in essence* how they interpret and *apply* the \$500,” thus acknowledging that neither he nor HUD were actually told by the Council how it interpreted the \$500. (Emphasis added.) The meaning that HUD/Inspector now ascribes to the \$500 training fee is *not* the meaning that the Council has ever ascribed to that fee. Rather, the Council has always understood the \$500 training fee to mean \$500 per training session completed per AmeriCorps member.

**Comment 38**

██████ explained on June 8, that if an AmeriCorps member “attended four distinct trainings” that “can be \$2,000 right there.” He admitted that is the way the Council “applied” the fee. However, it appears that despite no actual knowledge of the Council’s interpretation of the training fee, Inspector disregarded the Council’s consistent conduct relating to the interpretation of this training fee. Moreover, for over two years of the grant, HUD reimbursed the Council, without question, for the training fee as consistently understood and interpreted by the Council. The Council does not recall the GTR, or anyone else at HUD, raising concerns regarding the Council’s understanding and application of this training fee until during the audit process. HUD should be estopped, per federal and state equitable principles, from now contending HUD had a different understanding of that fee. Furthermore, the Council’s understanding and intent in this regard were fundamental to the formation of the Agreement.

**Comment 39**

When asked on June 8, where the \$500 was in the Agreement, ██████ first impliedly admitted that it was not there, stating that the “application has verbiage” in the “grant proposal” and that the “same amount” is in the budget. He did not directly address where that language was in the Agreement. He later honestly admitted that the “executed grant Agreement does not have \$500.” ██████ suggested going back to the technical submission. In doing so, he produced a two page stapled document (and passed copies out to the attendees). The document footer indicated that this two page document was pages 47 and 48 of the California Alliance for Prevention – Healthy Homes Initiative.

**Comment 40**

The first page of the Agreement states that the following “*may* be incorporated by reference. ... 3. Grantee’s financial and technical proposal.” “May” is not mandatory. The express language of the Agreement does not require the Grantee’s financial and technical proposal be incorporated in the Agreement. By the use of pages 47 and 48 it appears that HUD/Inspector concludes that the document from which these pages are derived is incorporated into the Agreement. This conclusion does not necessarily follow, given the permissive rather than mandatory incorporation language. Furthermore, the Council presumes that pages 47 and 48 are taken from a document entitled “California Alliance for Prevention Healthy Homes May, 2000.” It is unclear whether

**Comment 41**

that document is the one (or more) referred to in the incorporation provision as the "Grantee's financial and technical proposal."

As a side note, if pages 47 and 48 are incorporated into the Agreement, at least some of the statements on these two pages do not represent the final Agreement. For instance, page 48 states that "The total budget request for the HHI is \$2,061,474 over 36 months." This contradicts the Agreement, which awarded the Council \$1,500,000. Likewise, page 48 references "Web training," which was not addressed in the Agreement.

**Comment 42**

Assuming for the sake of argument that the pages 47 and 48 are incorporated into the Agreement, the language that the Inspector interprets to require the so-called AmeriCorps "cycle" is as follows: "Only \$675,000, or \$500 per AmeriCorps member, is being charged to the grant." Nowhere on page 47 or 48 does the word "cycle" appear. Nowhere do these two pages state that an AmeriCorps member is required to attend four trainings before the Council is reimbursed. Nowhere do these two pages state that an AmeriCorps member is required to make any home visits before the Council is reimbursed (much less visit the same family three times).

**Comment 43**

The language "\$500 per AmeriCorps member" must be read in the context of the entire sentence, which states, "\$675,000, or \$500 per AmeriCorps member, is being charged to the grant." A mathematical calculation reveals that 500 divides into \$675,000 1350 times. The Council had the expectation that it would be paid each time one of its 450 AmeriCorps members completed a training session. If each of the 450 AmeriCorps members completed three training sessions at \$500 per session, that would yield a total payment of \$675,000 to the Council.

The Council would not have executed the Agreement had the recently articulated requirement of completing a "cycle" been the mutual intent of the parties. The Council respectfully contends that this after-the-fact notion of a "cycle" is inaccurate, inequitable, and not the mutual intent of the parties at the time of execution of the Agreement. Nowhere does the Agreement (or pages 47 and 48) define, state or even allude to a "cycle."

**Comment 44**

The Report summarizes the AmeriCorps training fee issue, and in so doing misstates or misconstrues the Agreement in several respects. First, the Report states that "While the grant Agreement allows for a \$500 training fee, it *specifically states* that the \$500 fee is per member and not per training session attended." (Report, page 6.) (Emphasis added.) Rather, the Agreement appears not to state, specifically or otherwise, that the \$500 fee is "not per training session attended." Second, it seems that nowhere does the Agreement state that the \$500 fee is a "one-time payment" or that it is "for an AmeriCorps member's total time spent on the grant," as is stated on page 6 of the Report. Furthermore, despite the statement in the Report, the Agreement appears to nowhere state that "an AmeriCorps member would have had to complete all four training sessions and conduct at least three home visits to one at-risk family..." (Report, page 6.) Finally, the Agreement apparently does not state that an AmeriCorps member must complete all four training sessions, that an AmeriCorps member must conduct three home visits, or that the three visits must be to the same family. The language cannot, after-the-fact, be unilaterally read into the Agreement.

**Comment 45**

The parties' subsequent conduct speaks louder than words. The original intent of the parties is borne out by the fact that HUD over the course of two years did not deny reimbursement related to the \$500 per training session per AmeriCorps member. HUD accepted the Council's interpretation of the training fees without disagreement and paid claims based on the

## Comment 46

interpretation. The Council submitted claims that documented the training fee calculation were approved by HUD and paid. As evidence, the correspondence to GTR [REDACTED] dated April 9, 2003, indicates a claim for \$85,500 for members trained between January and March, 2003 (included in voucher 039007947). The support document attached indicated the calculation for the claim. The invoice apparently was accepted without question and paid in full. The Council was not given any indication of a differing interpretation, calculation or basis for payment from HUD. As a result, the Council continued to conduct the training sessions and process invoice according to the Council's consistent understanding from the time of executing the Agreement.

"The whole of a contract is to be taken together, so as to give effect to every part, if reasonably practicable, each clause helping to interpret the other." CCC §1641. HUD was aware, prior to execution of the Agreement, that a majority of AmeriCorps members were not intended to conduct home visits, but were to receive training. The Agreement's goals and objectives, used as a basis elsewhere in the Report for performance standards, states the number of AmeriCorps members to be trained using the following designation: "FRC/HV staff." (Agreement, eighth unnumbered page after page 23.) In this context, "FRC" refers to AmeriCorps FRC Aides serving families and children in FRCs located in communities with at-risk populations. "HV" refers to Home Visitors. The goals and objectives do not specify how many of each type of AmeriCorps member, FRC Aide or Home Visitor, will be trained in each category. More than half of all AmeriCorps members in the program were FRC Aides. FRC Aides do not conduct home visits, but rather, their work is confined to the FRC. Therefore, pursuant to the interpretation in the Report the Council would never be reimbursed for the training and work done by over half of the AmeriCorps members. This absurdity should not be permitted. The Council would never propose nor agree to a fee structure.

The Inspector has requested that the Council go back through all the training logs and identify which AmeriCorps members are Home Visitors and which are FRC Aides. With over 2,000 names on the logs, and the term of service is over for these members, this is a laborious task. More importantly, it was never part of the data collection process outlined in the Agreement or in the evaluation design that was an appendix. The distinction of roles in the program was not relevant to the training provided.

The interpretation in the Report that three home visits must be conducted in order for program outcomes to be reached is erroneous. The capacity built by the grant was always intended to be ongoing after the funding, not limited to the three year period. The intent of the grant was to increase capacity in the FRCs and in the Home Visitors, both of which continue today to impact healthy homes. The AmeriCorps members have a high retention rate and a high rate of being employed in the field after their term of service. Harder + Co, an independent evaluation firm who conducted the program evaluation, indicated that 98% of the AmeriCorps members remained in the field or went on to higher education in order to re-enter the field. The majority of the AmeriCorps members trained under this contract remain in their at-risk communities, providing support and education to children and families. Therefore, the intent of the program continues to be met long after the funding. This conceptual model is the foundation of family support work.



**Comment 47**

Not only is the Council concerned about the Inspector's interpretation of the Agreement, but the Council is also concerned the Inspector drew its conclusions from incomplete data. On June 8, ██████████ stated that the data regarding home visits was prepared from "home visit charts" and "all records they had to give us." However, ██████████, a member of the Council's management team, noted that the final conference call between the Council and HUD, the Council proposed extending the contract period with no additional claims against the budget for the purpose of collecting additional evaluation data on the number of home visits. HUD declined the request. There was no mention of the need to document further home visits in order to access the funding for the training provided. As such, the Council is now unfairly prejudiced if this data would have more accurately assessed the Council's performance regarding the AmeriCorps training fees.

**Comment 48**

From a practical perspective, the Report holds the training fees to a higher/different standard than any other category in the budget. The training fees are listed in the personnel section of the contract budget as a line item related to AmeriCorps members. No other personnel in the contract are tied to the goals and objectives for reimbursement. They are reimbursed as they spend the time on the program. The training logs document the time and attendance of the AmeriCorps members in the training.

For the above stated reasons, the Council respectfully, yet vehemently disagrees with the Inspector's after-the-fact interpretation of the AmeriCorps training fees. Not only does the Inspector's interpretation run contrary to principles of contract interpretation, but it runs contrary to the subsequent actions of the parties. Not only did HUD and the Council understand that this was a training fee/fee for training, but the Inspector acknowledges the same. The first paragraph heading under Inspector's Finding 1 reads "The Council Claimed \$312,500 in ... Training Fees," thereby admitting these fees are appropriately for training. (Report, page 5.) (Emphasis added.)

**B. Analysis of Ineligible Contractor Claims: The Council is Entitled to \$33,082 Claimed Fees**

The Report states that in addition to the five approved contractors listed in the Agreement, the Council also used the services of LPC Consulting, Performance by Design, Kronick Consulting, and Office Team. Furthermore, the Inspector notes that one claim based on the services performed by Minicucci Associates, an eligible contractor listed in the Agreement, was a double billing.

The Council acknowledges that the charges for LPC Consulting, Kronick Consulting, the double-billing for Minicucci Associates, and several conflict resolution expenses from Performance By Design were mistakenly charged to the grant. The Council hereby withdraws those claims, totaling \$22,245.

**Comment 49**

The Council seeks reimbursement from HUD, in the amount of \$30,183, for the valuable training and evaluation services provided by Performance by Design. Performance by Design was engaged by the Council as a direct response to HUD's Letter of High Risk Status to the Council in February 2003. As HUD is likely aware, Performance by Design was interviewed in late February 2003, attended the Health Symposium in April 2003, and was hired April 29, 2003. Attached hereto as Exhibit 1 is the Performance by Design Contract Objectives and corresponding dates that the objectives were completed. Performance by Design was instrumental in facilitating improved grant performance and compliance. This money was well

spent, as the Council received no other Letters of High Risk Status, but rather, subsequently received laudatory comments from its GTR, Ms. Choi.

On June 8, ██████ stated that HUD/Inspector looked at Performance by Design invoices, which were "not explicitly detailed." Furthermore, HUD/Inspector interviewed ██████, of Performance by Design, and concluded that "a lot" of work that she was doing was already done or being done. Thus, HUD/Inspector admits that at least some of her work was not already done or being done. Moreover, on June 8, ██████ matter-of-factly acknowledged that ██████ did not state that her work was in any way duplicative, but rather, she characterized her work product as "aiding" with the grant activities. The Council earnestly believes Performance by Design's work was necessary and important to the grant, and was not duplicative. Therefore, Performance by Design substantially aided in the performance of the grant activities and the Council should be reimbursed for the costs it incurred for the performance of those services.

The Report states that Performance by Design was obtained to perform evaluation, consulting and training and that the Council had contracts with three other contractors to provide similar training and evaluation services. Furthermore, the Report states that the Performance by Design contract was "vague" and had "no specific work statements" and that the Council did not notify HUD of the staff change. The Council advised HUD in the April 1 to June 30, 2003 Quarterly Report that ██████ "would assume the role of HUD-HHI Project Manager with responsibilities of planning, implementing, delivering and monitoring HHI activities under the supervision of ██████."

The Council contracted with Performance by Design to assist in meeting the HHI program objectives. ██████ of Performance by Design developed and delivered HHI training designed specifically for Home Visitors. While other contractors trained FRC aides, parent/adult caregivers and child care providers, these contractors did not possess the background to train Home Visitors who would then educate parents in their homes. ██████ developed policies and procedures for HHI Home Visitors and Home Visitor Supervisors on how to prepare for and conduct home visits. The training provided specific instructions and role-playing to give the Home Visitors the skills and confidence to educate families on asthma, second-hand smoke, home environment, and lead based poisoning. This training also provided a check list (Healthy Homes Recording Chart) and cleaning buckets filled with items to reduce asthma triggers. Sacramento County Department of Health and Human Services (DHHS) and American Lung Association Sacramento-Emigrant Trails (ALASET) did not provide this level of training and training materials. Contrary to what the Inspector tentatively recommended, this training to Home Visitors was not duplicative, but rather was both necessary and beneficial.

Additionally, the Inspector concluded that Performance by Design duplicated the work of the evaluator. ██████ provided administrative oversight for the HHI program, coordinating and scheduling the trainings with the sites and developing and maintaining data collection protocols. While Minicucci Associates analyzed the data and wrote quarterly progress reports, Minicucci did not have immediate access to the Council training and Home Visitor records. A system had to be in place that collected data from training participants and Home Visitors and then submitted that data to Minicucci Associates. Any other system would have had Minicucci staff at the Council for every training and at every FRC to collect Home Visitor data. This would have been an impractical and costly process.

**Comment 50**

## Comment 51

██████████ also served as the Council's quality assurance point person for the HUD evaluation. The Council wanted to be certain that the program information it provided to HUD was reliable and accurate. The work of the HUD evaluator was cross-checked by ██████████. Written reports were reviewed and verified prior to submission to HUD. These specific duties related to the evaluation did not duplicate the tasks completed by Minicucci but rather ensured that the Council submitted reliable and accurate information to HUD.

During the exit conference, ██████████ acknowledged that HUD/Inspector's position that Performance by Design was ineligible was based on invoices, an interview and the Agreement. Therefore, HUD/Inspector impliedly acknowledged that the conclusion of ineligibility was not a purely black and white one, based exclusively on whether or not a contractor was listed or not listed in the original Agreement. Furthermore, ██████████ told the Council that if they provided further information, "we'll look at it," thus further acknowledging that there is some leeway for eligibility and allowability despite a contractor not initially being expressly named in the Agreement.

HUD's apparent discretion in this regard is buttressed by various Sections of Housing and Urban Development, Title 24, which are referenced in the Agreement. (Agreement, pages 21-22.) Among those is Section 84.25(e), which states in relevant part, "...HUD is authorized, at its option, to waive cost-related and administrative prior written approvals required by Circular A-110 and OMB Circulars A-21 and A-122." The Council respectfully requests that HUD do so.

Of the \$37,413 Performance by Design billed the Council, \$30,183 amount was directly related to the training and evaluation activities outlined above. The line item for Office Team, in the amount of \$2,899, has been questioned by the Inspector and the Council has not had sufficient time to investigate, but reserves the right to do so.

The Council hereby submits the aforementioned evidence regarding the activities of Performance by Design. Again, we think this is responsive and sufficient. If not, please inform us of what documentation HUD desires.

### **C. Analysis of Unsupported Contractor Claims: the Council is Entitled to \$264,455 of Claimed Fees**

On June 8, ██████████ stated that the Council needs to submit documentation regarding "what they did," explaining that what HUD/Inspector is looking for is "evidence of performance." ██████████ acknowledged that "I think you can bill these."

#### **i. Sacramento County Department of Health and Human Services and American Lung Association**

The Report states that DHHS and the ALASET invoices did not provide data or documentation to support eligibility of expenses claimed. DHHS and ALASTAT did provide documentation consistent with the budget outlined in each of the contracts. The Council, DHHS and ALASET agreed to deliverables, a timeframe for completion and the budget to execute the contract.

The Council included DHHS and ALASET in the HHI grant proposal and Agreement. These two contractors were *the* known experts in Sacramento County and were considered to be the most qualified to deliver the courses and train the Council staff and qualified as sole source vendors for procurement purposes. DHHS and the Council and ALASET and the Council had fully executed contracts with line item budgets to conduct activities that delivered process and

## Comment 52



## Comment 53

outcome evaluation measures. DHHS and ALASET assigned staff to the HHI program and billed the Council as per the budgeted line items. In addition to personnel (salary and benefits) and travel expenses, other costs such as education and training materials and printing were direct training costs. Rent, office supplies, postage, equipment, and telephone were reasonable and necessary costs that supported services agreed to in the contract. Attached hereto as Exhibits 2 and 3 respectively, are the DHHS and ALASET Contract Objectives and the completion date of tasks that met process and outcome evaluation measures.

DHHS and ALASET billed the Council monthly based on the percent of annual deliverables completed during the invoice period. The Council, ALASET and DHHS were nearly in weekly contact. The Council tracked the DHHS and ALASET deliverables weekly through training coordination and meetings. The Council Training Coordinator was responsible for the registration, sign-in sheets and general administration of the lead based poisoning training, asthma awareness, secondhand smoke, and home environment trainings. The Council collected sign-in sheets, documented attendance, administered pre and post tests and course evaluations. DHHS and ALASET staff also attended monthly meetings to discuss progress towards program goals. The Council provided HUD with copies of sign-in sheets documenting the trainings that were conducted by these two contractors. Calendars, meeting minutes and sign-in sheets document meeting attendance.

For the three year period, DHHS billed the Council \$111,807 against a \$200,000 HUD approved budget line item. The Council is entitled to full reimbursement for this amount. DHHS billed the Council 56% of the contracted budget for its substantial performance, including completing approximately 128% of the training goal.

For the three year period, ALASET billed the Council \$109,175 against a \$160,000 HUD approved budget line item. The Council is entitled to full reimbursement for this amount. ALASET billed the Council 68% of the contracted budget for its significant work, including completing no less than 125% of the training goals for each of the training subjects.

The Report indicates that 442 persons were trained in asthma, 333 persons on second-hand smoke, and 340 in home environment. All three modules were delivered within the same class which calls into question as to how the Report recorded such discrepancies in the numbers trained in asthma, second-hand smoke and home environment.

### ii. Minicucci Associates

The Report states that the contract between Minicucci Associates and the Council did not include a budget and failed to detail or list services and related costs. The Minicucci Associates contract states that the scope of work includes the expansion of the California Alliance for Prevention (CAP) Evaluation Program to include providing evaluation services for the HUD grant. A budget listing services and related costs was included in the original CAP contract.

Five services specifically related to the HUD grant are listed on page two of the Minicucci Associates contract. The list is not fully detailed because Minicucci completed and submitted to the Council a more important eight page evaluation design with four attachments. The Evaluation Design described HUD program outcomes, data collection tools, responsible parties and reporting timelines. It is common practice for an Evaluation Design to be a separate and more detailed document than the contract. The attachments in the Evaluation Design were the data collection tools the Council contracted with Minicucci to create including the follow-up

survey, training evaluation and three home recording charts. A copy of the Evaluation Design can be made available if the Inspector finds it necessary.

As was the case for DHHS and ALASET, Minicucci and the Council were in regular contact. The Council and Minicucci met once or twice monthly to discuss progress towards outcomes. In addition, a separate quarterly meeting was held to discuss the data and activities for the HUD quarterly progress reports. The Council collected data from training participant's surveys and Home Visitor tracking tools and forwarded them to Minicucci weekly, reviewed Minicucci's work and verified the work for its accuracy. During the contract period Minicucci:

- Created and modified data collection tools as evidenced by the Evaluation Design;
- Aggregated, summarized and analyzed the data forwarded by the Council;
- Drafted and submitted the data information for five quarterly progress reports, prepared the April 2001 through September 2002 Interim Report and the May 2003 Teleconference Report; and
- Completed the 29 page HHI Final Report.

All of the above was billed by Minicucci in invoices listing salaries, benefits and subcontractors that were needed to complete the Evaluation Design. The Council believes that the above information sufficiently responds to the Inspector's concerns. If not, the Council requests that the Inspector specify precisely what would be sufficient.

The Council hereby submits the aforementioned evidence regarding the activities of these contractors. We think that this is responsive and is sufficient. If it is not, we ask that we be informed as to precisely what documentation HUD would like to receive, and we will then expeditiously go about the task of attempting to satisfy HUD.

#### **D. Remediation of the Financial Management System**

The Council not only endeavors to better its programmatic achievements, but also endeavors to improve its administrative functions. The Council takes HUD/Inspector concerns very seriously, and as a result, the Council has proverbially "looked in the mirror" and acknowledges that its financial documentation may not be precisely what HUD/Inspector desired. In an effort to continuously improve and to avoid miscommunications in the future, the Council has substantially improved its record keeping system.

The Council is very pleased to report that many new systems and procedures have been put in place, since the inception of the HUD grant, to enhance and expand the fiscal department. A few of those are as follows:

- The Council Board of Directors and the Deputy Director of Finance reviewed and rewrote the Accounting and Control Policies,
- A new Deputy Director of Finance, a new Accounting Manager, and a new Accounting Clerk and Payroll Clerk were hired and trained,
- The Chart of Accounts was expanded and now includes account numbers,
- Functional timesheets have been designed and implemented with approval from the California Service Corps fiscal department,
- Better separation of duties and responsibilities have been addressed,
- The program cost allocation system has been enhanced, and

**Comment 54**

**Comment 55**

- Record keeping, support documentation and archival systems have documented and been improved.

Furthermore, the Council does not seek to make excuses for financial documentation that may not have been up to HUD's technical specifications, but desires that HUD be aware, if it not already aware, of the significant constraints upon the organization during the grant term.

The Council has experienced a tremendous amount of growth, as evidenced in the table below:

Year	Total Assets/Liabilities
1999	\$1,270,256
2000	\$1,606,583
2001	\$5,953,959
2002	\$5,748,472
2003	\$5,512,379
2004	\$7,225,524

The existing financial management systems were very sufficient when the Council was a much smaller non-profit agency with an annual budget less than \$1.3 million and only eight employees. The Council received funding from a few sources including several small local foundations, Sacramento County, and the California Commission on Improving Life Through Service. The sudden and very rapid growth strained and put pressure on existing systems, and new systems had to be designed and then implemented. Additionally, [REDACTED] the Accounting Manager was new to the agency (hired September 12, 2000) and an Accounting Clerk was added to the staff (hired September 30, 2001). These new employees, while versed in accounting fundamentals, were not as familiar with the technicalities of federal grant financial management.

Furthermore, and very significantly, in October 2000, the Council was forced to vacate its office space, with no notice, due to the discovery of toxic black mold on the premises. All written documents, computers and furniture had to be left behind due to mold contamination. In a period of five weeks, the Council had to find new space to lease, secure donated furniture and computers, and recreate and recover copies of documents (such as contracts, audits, memorandum of understanding, etc.) from other sources.

Also in October 2000, the Council received notice from HUD that the Council had been awarded the HHI grant. HUD was aware that the Council was dealing, as best it could, with issues stemming from the discovery of the mold. Due to the evacuation/relocation of the Council offices, HUD approved delaying contract negotiations from December 6, 2000 until January 8, 2001.

The fully executed contract with HUD was received by the Council on March 12, 2001. While the Council was able to locate space in a very short period of time, much staff time, including the time of program, administrative and fiscal staff was spent on recovering and recreating documents and recreating systems and records in order to go about the work of the many Council programs. The enormity of the task took precious time away from the expeditious start-up and implementation of the HHI grant activities. Under these difficult circumstances, the Council made its best effort to reconstruct and improve its financial management system, thus

demonstrating not only a commitment to programmatic success, but also a commitment to financial integrity.

**E. Analysis of Unsupported Payroll: the Council is Entitled to at least \$248,678 for Payroll Claims**

On June 8, ██████████ stated that the budget indicated three employees, and "that's what we expect to find." When Mr. Boutin inquired if there was somewhere in the Agreement that stated specifically that only three employees were to work on the grant, ██████████ responded that because of turnover, it could be more than three employees, it is "more like positions." When Mr. Boutin continued with his line of inquiry, ██████████ finally stated that "HUD is not a primary funder, we're like a gift." Because Mr. Boutin did not receive a substantive response, the Council understood that the HUD/Inspector representatives were unaware of such language in the Agreement. The Agreement does not appear to state anywhere that either only three employees or only three positions may work on the grant.

The Agreement supports the Council's position that a number of staff members would be working on the grant. Prior to execution of the Agreement, HUD was on notice that the Council had a substantial staff. The Agreement states, "The CAPCSAC staff includes 25 staff in the central office." (Agreement, first unnumbered page following page 23.) Moreover, HUD was on notice that the existing staff would be working on this grant. The Agreement states, "The staff working with the program is well versed and has had extensive experience with AmeriCorps, prevention programs, home visitation, FRC and working with the targeted families. Staff roster, resumes and organization chart are included as Appendix A." (Agreement, fourth unnumbered page following page 23.) (Appendix A does not appear to be attached to the Agreement.) Not only was current staff going to be working on the grant, but more staff were going to be hired to work on the grant. HUD was on notice of this as well. According to the "Work Plan and Timeline," the Council was going to "hire staff" as its very first task. (Agreement, thirteenth unnumbered page after page 23.) Looking at that timeline, the hiring of staff was anticipated to occur in the first three months of the grant. Therefore, HUD was put on notice, and in fact agreed to, the hiring of staff as a future event.

Section 84.25(c)(2) requires prior HUD approval for "Change in a *key person* specified in the application or award document." (Emphasis added.) The Agreement lists the "Key Personnel" as ██████████ and ██████████. (Agreement, page 7.) The Section does not seem to require prior approval for adding non-key personnel, but rather would require only prior approval for changing either ██████████ or ██████████. Furthermore, Title 24, Section 84.25(g) states that "All other changes to non-construction budgets ... do not require prior approval."

The Council respectfully submits that the Agreement does not specify that merely three employees or positions were to be working on the grant. Furthermore, the Council understands that only changes in key personnel required prior approval. Moreover, as stated in the Agreement "This grant may be modified at any time by a written amendment. Amendments that reflect the rights and obligations of either party shall be executed by both HUD (the Grant Officer) and the grantee." (Agreement, page 18.) The Council is not aware of any amendment to the Agreement that mandates only three employees or positions work on this grant.

The Council later came to understand from statements by both ██████████ and ██████████ on June 8, that the payroll and expenses for various positions were "unsupported" rather than

**Comment 57**

**Comment 58**

ineligible, and according to [REDACTED], "we need *some* support." (Emphasis added.) When [REDACTED] posed the hypothetical scenario that if someone worked for the Council at \$10,000 per year and the Council claims 10%, HUD wants to know that the person worked 10% of the time on the contract. [REDACTED] responded with an affirmative "yes."

The Report states that the Council failed to have time records to document employees' time worked on the HHI grant. However, the Council does have timesheets for all employee for the period in question, which were provided to the Inspector during its field work.

The Council charged 13 employees (not 16 as stated in the Report at page 11) and various temporary help employees to the grant. These employees were critical to the implementation and operation of the program. A descriptive list of these important employees and positions is as follows:

- Program Manager ([REDACTED]) and Community Development/Training Manager ([REDACTED]) oversaw program implementation and training components.
- Due to staff turnover, three different people held the position of Training Coordinator ([REDACTED], [REDACTED], and [REDACTED]). Because this was in essence a training grant, this position was of pivotal importance. The sequence of Training Coordinator employment is as follows:
  - [REDACTED]: Hired March 2002, Terminated August 2002,
  - [REDACTED]: Hired October 2002, Terminated March 2003, and
  - [REDACTED]: Hired as Temporary Employee May 2003, subsequently hired as a permanent employee August 2003.
- Five in-house staff Trainers had expertise in the subject matter, and developed and delivered the curriculum statewide ([REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED]). Again, these were all pivotal positions as this was a training grant.
- Trainer/Supervisor in Arden ([REDACTED]) coordinated the program at the site-level, where the HHI information was delivered to families.
- The Accounting Manager and Accounting Clerk ([REDACTED] and [REDACTED]), devoted time to the financial reporting of the grant.
- Due to turnover of training coordination personnel, temporary staffing help was hired. As noted above, one of the temporary help employees was hired permanently by the Council for the Training Coordinator position.

The table below identifies the employees charged to the grant by position title:

Position Title	Name	Amount per Audit Report
Community Development/Training Manager	[REDACTED]	\$11,955
Trainer/Supervisor – Arden*	[REDACTED]	6,443
Trainer**	[REDACTED]	22,565
Trainer	[REDACTED]	25,107
Trainer/Other***	[REDACTED]	6,804
Trainer	[REDACTED]	1,046
Trainer	[REDACTED]	32,190

## Comment 59

Training Coordinator	██████████	2,224
Training Coordinator	██████████	7,143
Training Coordinator	██████████	10,487
Program Manager	██████████	17,554
Accounting Manager	██████████	35,004
Accounting Clerk	██████████	615
Temps		20,533
<b>Total</b>		<b>\$199,670</b>

\* Listed as two line items in Report on page 12 (\$1,418 + \$5,025 = \$6,443).

\*\* Listed as two line items in Report on page 12 (\$4,250 + \$18,315 = \$22,565).

\*\*\*Listed as two line items in Report on page 12 (\$6,075 + \$729 = \$6,804).

The Council provided the Inspector with copies of the written timesheets for all of these employees.

The Council hereby provides the aforementioned supporting documentation, as well as an affidavit of responsible supervisory official, ██████████, attached hereto as Exhibit 4. ██████████ affidavit, signed under the penalty of perjury, confirms the Council's claim for at least \$228,145 in payroll expenses. As previously noted in this section, the Council utilized a significant number of temporary personnel. Therefore, the primary difference between the payroll claim in the Report and the payroll expenses noted in the Exhibit is partially comprised of temporary help expenses of \$20,533.

This supporting documentation demonstrates what the Council believes to be methodology that is rational, systematic and consistently applied, and as such, the Council respectfully submits satisfies the Council's understanding of the Inspector's expectations. If not, please inform us of specifically what documentation the Inspector requires.

### F. Analysis of Unsupported Expenses: the Council is Entitled to \$82,522 in Reimbursement

#### i. Direct Labor and Fringe Benefits

The Council acknowledges that the direct labor charge of \$6,448 and the fringe benefit charge of \$149 appear to have been incurred after the end of the grant period of performance. Therefore, the Council, in the spirit of cooperation, is hereby withdrawing its request for reimbursement for that \$6,597.

#### ii. Supplies and Other

Due to the very short period of time the Council was afforded to prepare its written comments, the Council has not had the opportunity to fully review what the Inspector refers to as "Supplies and Other" on pages 13 and 14 of the Report. Furthermore, the Council understands the time burden the Inspector is under in the preparation of its final recommendations. Therefore, to facilitate the Council's timely response, it respectfully requests that the Inspector provide specific reference as to what invoices and checks comprise each of the line items in question on page 14 of the Inspector's Report.

#### iii. Travel

The Council was required to have three staff members make three trips to Washington D.C. for mandatory grantee meetings. Furthermore, staff anticipated traveling outside of the local area doing site visits for 23 days with the following approved budget:

## Comment 60



Comment 61

Airfare: 3 staff x 3 trips x \$650 per staff member per trip	\$5,850
Car Rental: 3 trips x \$126 per trip	\$378
Per Diem: 3 staff x 3 trips x 3 days per trip x \$155 per diem rate	\$4,185
Per Diem: (outside local area) 23 days x \$ 155 per diem rate	\$3,565
<b>Total</b>	<b>\$13,978</b>

The calculations above evidence a rational, systematic and consistently applied allocation methodology. As such, the Council incurred \$13,978 in travel expenses and is entitled to payment. However the Council stands by its previous claims for \$13,727 as submitted to HUD for reimbursement.

Comment 62

#### IX. Response to the Inspector's Tentative Recommendations

At this time, the Council believes that it is entitled to a very significant percentage of the reimbursement claims that it submitted to HUD. As noted several times in this written response, the Council has had a very short time period in which to respond to the Inspector's financially significant findings. As such, the Council has made its best effort to respond in a timely manner, but respectfully reserves the right to further review documentation, raise additional issues and subsequently respond to HUD/Inspector. Furthermore, at this point, the Council's research and analysis is preliminary. The following chart summarizes claims the Council preliminarily, at this time, for which it earnestly believes that it is entitled to payment.

Type of Claim	Minimum Amount Entitled To	Corresponding Analysis Section in the Council's Comments	Corresponding Analysis Section in the Inspector's Report
AmeriCorps Training Fees	\$312,500	VIII.A.	I.A.
Contractor Claims (those Inspector described as "ineligible")	\$33,082	VIII.B.	I.B.
Contractor Claims (those Inspector described as "unsupported")	\$264,455	VIII.C.	I.C.
Payroll Expenses	at least \$248,678	VIII.E.	I.D.
Other Expenses	\$82,522, pending further analysis with regard to "Supplies" and "Other"	VIII.F.	I.E.
<b>Total</b>	<b>at least \$941,237</b>		

Comment 63

#### X. Conclusion

On June 8, [REDACTED] acknowledged that the Report can be revised. Furthermore, he indicated that the HUD/Inspector is "primarily" looking for supporting documentation, thus acknowledging that supporting documentation is not the only factor taken into account when revising the Report.

Despite the extraordinarily short time allowed for written comment, the Council believes it has provided significant supporting documentation, explanation and analysis regarding most of the issues identified in the Report. The Council hopes and anticipates that the Inspector will thoroughly review this additional supporting documentation and information. Furthermore, the Council has made a good faith effort to comply with what it understands will satisfy HUD/Inspector's expectations. Moreover, given [REDACTED] acknowledgment that

## Comment 64

supporting documentation is not the only factor taken into account in revising the Report, the Council has additionally provided what it believes to be other substantial compelling information and equitable considerations.

On June 8, ██████ said that he had "never seen a HUD grant like this." ██████ chuckled in response and stated, "I haven't either." Perhaps as suggested by ██████ the parties do not, figuratively, speak the same language. Although HUD and the Council may not speak the same language figuratively, they surely share the same philosophy, that educational outreach to at-risk children and families is critical. This is what the Council did. The work was done, and done well on the Council's HUD HHI grant. The Council should be paid accordingly.

The Council acknowledges that there have been bumps along the way. Yes, there are things that could have been done better. However, when the Council became aware of potential shortcomings, it diligently endeavored to improve and remediate any perceived deficiencies in its management and execution of this grant. The last two reports, prepared by ██████, gave the Council a "good" rating. This "good" rating, given in both the March 10, 2004 and May 17, 2004 reports, was defined as follows: "Met expectations in WP implementation; work of good quality; problems were identified and promptly corrected." Accordingly, the Council program was considered "Low Risk".

Furthermore, ██████ noted in "The Project Evaluation" section of the March 10, 2004 report: "I was impressed with the level of detail provided in this section of the report. It is also noted that the evaluator has developed a recording chart to track long term outcomes, which are the changes in behavior by parents and guardians when they apply the lessons taught t them by their Home Visitor or other family support staff.. I am particularly interested in the outcome of this segment, given the volatile and transitory nature of the families targeted through this program...."

The Council worked hard to accomplish the "real intent" of this grant: to reach out and educate those who are at high risk and are in need of assistance from capable and caring persons. Not only did the Council accomplish this "real intent," but the Council largely accomplished the goals and objective set forth in the Agreement.

Despite this "good" rating from ██████ the Council largely meeting the Agreement's performance goals and objectives, HUD's consistent non-rejection of the Council's reimbursement requests for over two years, and scant guidance from its GTR, HUD/Inspector proposes rejecting approximately 97% of the Council's grant activity expenditures. Not only is this surprising, but it is unusual and highly inequitable.

The Council did good work and it respectfully urges that it should be reimbursed accordingly. The Council only expended approximately two-thirds of the grant money awarded, saving the federal government nearly \$500,000 over the course of the grant. Furthermore, despite that HUD truncated the grant period by approximately three months, the Council substantially achieved its performance goals and objectives. It would appear that, based on technical requirements rather than equitable considerations, the Inspector proposes denying the Council approximately 97% of the expenses it incurred in the course of performing its good work under this HHI grant. President Bush has expressed the concern that a reduction in funding for charitable organizations may lead to a reduction or elimination of services. The Council is



## Comment 65

certain that HUD/Inspector do not wish there to be a reduction or elimination of Council provided services to those who are most in need. Unfortunately, the Inspector's findings, if accepted, may lead to such a result.

Title 24, Section 84.21(b)(4) states that "Whenever appropriate, financial information should be related to performance..." The Council urges that it is appropriate for its reimbursement from HUD to be meaningfully related to the Council's performance and respectfully requests that HUD/Inspector thoroughly consider the merits of the Council's written comments, documentation, analysis and equitable concerns and revise the findings in Inspector's Report accordingly. The findings are not only crucial to the Council's reputation as a long standing provider of excellent community outreach services to those most at-risk, but more importantly, goes to the core of the organization's financial viability. Findings that subordinate the "real intent" of the grant activities to detailed and complex documentation requirements, would be financially devastating to the Council. Furthermore, findings in line with the Inspector's recommendations would likely result, as the President has warned, to the "reduction or even elimination of services to some of our neediest individuals and families." (Office of the Press Secretary, "President Urges Support for America's Charities," November 20, 2001.) The Council anticipates that HUD and Inspector will exercise their good professional judgment and recognize the benefits of the Council's performance and with that recognition will come the corresponding financial reimbursement.

**Exhibit 1: Performance by Design's Contract Objectives**

<b>Objectives</b>	
<b>Task</b>	<b>Completed</b>
Oversee day-to-day program to assure compliance 24 CFYL workshops, 36 workshops on LBP, 100 ccp, 200 parents trained, 200 parents (community outreach) 2100 home visits, and 700 families visited.	June 2004
Develop and deliver Healthy Homes Initiative Trainings designed specifically for Home Visitors. Serve as back-up trainer for parent and child care provider trainings.  <i>A total of 168 Home Visitors and Home Visitor Supervisors (FRC staff) were trained on asthma, second-hand smoke, and home environment in a total of 14 sessions. Fourteen sessions in lead based poisoning were held and trained a total of 172 participants.</i>	December 2003
Schedule Healthy Homes Initiative Trainings, Caring for Your Lungs and Lead Based Poisoning trainings for FRC staff, Home Visitors, parents, and child care providers. Assure provider trainings. Assure Training Request Form is completed and sent to site and trainers.	December 2003
Develop policies and procedures for HHI Home Visitor Supervisors and Home Visitors on how to conduct the visits and demonstrate the cleaning buckets.	August 2003
Provide administrative oversight of program which includes collecting data, developing and maintaining tracking systems, ordering supplies, approving flyers and marketing strategies, registration, sending email class reminders, assembling training materials and cleaning buckets.	December 2003
Develop tracking systems to assure accurate data collection and serve as quality control system for evaluator. Track trainings and healthy home recording charts prior to submission to evaluator ( Minicucci) Process evaluations, sign-in sheets, and test results and send to Minicucci.	August 2003
Act as main point of contact on program for DHHS and ALASET trainers, program coordinators, and team leads sites. Maintain regular contact via phone, emails, and face-to-face contact.	March 2004
Participate in meetings with contractors and staff, as needed. Assist with quarterly progress report preparation.	April 2004

**Exhibit 2: Sacramento Department of Health and Human Services' Contract Objectives**

<b>OBJECTIVE 1: By December 31, 2003, the COUNTY shall collaborate with CAPC to plan and implement LPPT (Lead Based Poisoning Prevention Training) for Family Resource Center (FRC) and Home Visitor (HV) Staff</b>	
<b>Task</b>	<b>Completed</b>
Collaborate with CAPC to plan and implement LPPT for FRC and HV staff.	June 2001
Secure training dates and site(s).	Ongoing
Hire a Health Educator to plan and implement LPPT.	March 2001
Attend quarterly meetings with CAPC to review and update on progress of LPPT development and implementation.	Ongoing
Submit quarterly progress reports to CAPC on a timely basis.	Submitted on a quarterly basis
<b>OBJECTIVE 2: By December 31, 2003, the COUNTY will plan and develop a five-hour LPPT for FRC and HV staff.</b>	
<b>Task</b>	<b>Completed</b>
Participate in at least 2 site visits with FRC and HV staff to plan the five-hour LPPT.	June 2001
Complete development of a four-hour LPPT and HV staff and duplicate training material.	June 2001
Develop: <ul style="list-style-type: none"> <li>1. A lead based poisoning prevention resource list-June 2001</li> <li>2. A training pre-post test-June 2001</li> <li>3. A blood test questionnaire and referral card-June 2001</li> <li>4. A tracking record for HV</li> <li>5. A quarterly tracking form for FRC and HV staff</li> </ul>	Blood test questionnaire was included in the training materials binder. Submitted to HUD
Secure multi-lingual lead based poisoning prevention education materials for FRC and HV staff to use with parents.	July 2001
Conduct a pilot four-hour LPPT and focus test.	July 2001
Evaluate and modify LPPT based on pilot LPPT and focus test for results.	March 2002
<b>OBJECTIVE 3: By December 31, 2003, the COUNTY will conduct LPPTs for approximately 450 FRC and HV staff (12 trainings per year)</b>	
<b>Task</b>	<b>Completed</b>
Conduct LPPTs for approximately 450 FRC and HV staff (12 trainings per year).	Completed December 2003: 30 sessions and trained 370 FRC and HV staff. .
<i>This objective was re-stated to indicate that DHHS would train 470 FRC and HV Staff in a total of 36 sessions. In May 2003, agreement was reached to tailor the coursework to Home Visitors in order to provide them with adequate skills and tools to educate parents about</i>	

<p>lead based poisoning. Performance by Design revised the course and delivered the trainings which aided in reaching the goal of 36 sessions with 470 FRC and HV staff trained.</p> <p>DHHS was also asked to train 100 parents and 100 childcare providers. DHHS conducted four sessions and trained 42 parents on lead based poisoning with the remaining parents were trained by Performance by Design and site staff. DHHS conducted four sessions and trained 36 childcare providers. The goal to train 100 childcare providers would have been reached if the training was allowed through the contract period.</p>	
<p>Provide LPPT to FRC and HV staff in order to provide them with the skills and knowledge to:</p> <ol style="list-style-type: none"> <li>1. Achieve a passing score of 80% or better on LPPT post-test. <i>Addressed by Minicucci's reports</i></li> <li>2. Educate 700 parents on lead based poisoning prevention. <i>Original goal of 700 parents was changed to 700 home visits and educate 100 parents.</i></li> <li>3. Refer parents for a blood lead test for their child with at least 30% compliance. <i>This goal was eliminated due to confidentiality reasons. However, a blood test questionnaire was included in the training materials given to all class participants for use in their FRC's and for home visits. The form served as a tool for parents to discuss testing their children for lead based poisoning with their doctor.</i></li> <li>4. Conduct a one-month follow-up on 100% of those parents who received education via a home visit.-March 2003 <i>Minicucci and DHHS conducted a month follow-up with the parents.</i></li> <li>5. Achieve an 80% parent compliance to engage at least two activities to ensure their children are lead safe.-March 2003 <i>Parent compliance was tracked in the HHRC's and reported in quarterly progress reports and the final Minicucci report.</i></li> </ol>	December 2003 and March 2004.
Distribute and collect quarterly tracking forms from FRC and HV to document number of parents educated and referred for testing.	<i>Not required to report on this objective</i>
Modify and translate LPPT and training material for Spanish speakers.	October 2003
Conduct follow-up LPPT for FRC and HV staff.	March 2004
Complete quarterly progress reports on a timely basis.	Submitted on a quarterly basis

**Exhibit 3: American Lung Association Sacramento-Emigrant Trails' Contract Goals and Objectives**

<b>Year 1</b>	
<b>Goals 1: Train in A is for Asthma, Secondhand Smoke and Indoor/Outdoor Pollution</b>	
<b>Task</b>	<b>Completed</b>
Provide 2 train-the-trainers workshops for 75+ FRC/HV staff  <i>Original goal was to have ALASET deliver a train-the-trainer model to the FRC/HV staff who would then train their families and parents on asthma, second-hand smoke, and indoor/outdoor pollution (home environment). In May 2003, agreement was reached to tailor the coursework to Home Visitors in order to provide Home Visitors with adequate skills and tools to educate parents about lead based poisoning. Performance by Design revised the course and delivered the trainings which aided in reaching the goal of 24 sessions with 370 FRC and HV staff trained.</i>	December 2003
Develop training to include materials from Open Airways for Schools; A is for Asthma, tobacco, and indoor/outdoor air pollution. Training will also include a respiratory therapist speaking on medications and peak flow meters. .	June 2001
Provide pilot training for selected staff at American Lung Association's boardroom, 90912 <sup>th</sup> St. To be coordinated by the Council.	July 2001
Begin regular train-the-trainer training to Sacramento, Yolo and Placer counties. To be coordinated by the Council	December 2001
<b>Goal 2: Distribute materials to 14 FRC's for distribution</b>	
In addition to the Open Airways curriculum and A is for Asthma Kit, a Little Lungs Kits will be developed that will contain the following: <ul style="list-style-type: none"> <li>• Video on Health at Home Controlling Asthma</li> <li>• Video on Second-hand smoke</li> <li>• Video on Cockroaches</li> <li>• Handouts on Asthma</li> <li>• Handouts on Tobacco</li> <li>• Handouts on Pollution</li> </ul>	June 2001

<b>Year 1</b>	
<b>Task</b>	<b>Completed</b>
CAPCSAC 8 Train the Trainer workshops to 100 FRC/HV Staff in asthma, second-hand smoke, and home environment	December 2003
<b>Year 2</b>	
<b>Task</b>	<b>Completed</b>
CAPCSAC 8 Train the Trainer workshops to 120 FRC/HV Staff in asthma, second-hand smoke, and home environment	December 2003
ALASET 4 counties	December 2003
<b>Year 3</b>	
<b>Task</b>	<b>Completed</b>
CAPCSAC 8 Train the Trainer workshops to 150 FRC/HV Staff in asthma, second-hand smoke, and home environment	December 2003
<p><i>By December 2003, ALESET completed 23 sessions and trained 307 FRC and HV staff in the following counties, Amador/Tuolumne/Calaveras, Fresno, Marin, Mendocino, Sacramento and Shasta counties. In May 2003, agreement was reached to tailor the coursework to Home Visitors in order to provide Home Visitors with adequate skills and tools to educate parents about asthma, second-hand smoke, and home environment. Performance by Design revised the course and delivered the trainings which aided in reaching the goal of 24 sessions with 370 FRC and HV staff trained.</i></p> <p><i>The Report indicates that 442 persons were trained in asthma, 333 persons on second-hand smoke, and 340 in home environment. All three modules were delivered within the same class which calls into question as to how the Report recorded such discrepancies in the numbers trained in asthma, second-hand smoke and home environment.</i></p>	
<b>Additional Tasks</b>	
ALASET trained 74 parents in four sessions in asthma, second-hand smoke, and home environment. They also trained 38 child care providers in four sessions.	December 2003

**Exhibit 4: See attached document entitled:**

**“Affidavit of Responsible Supervisory Official”**

**and corresponding Certificate of Acknowledgement and Exhibit A entitled**

**“The Child Abuse Prevention Council of Sacramento, Inc.  
HUD Project  
Recap of Salary Charged to Project by Month  
2002 to 2004”**

STATE OF CALIFORNIA        )  
  )  
COUNTY OF SACRAMENTO    )

**AFFIDAVIT OF RESPONSIBLE SUPERVISORY OFFICIAL**

I, William Donaldson ("Affiant"), certify under penalty of perjury under the laws of the United States that:

1. I know the contents of this Affidavit of Responsible Supervisory Official, signed by me;
2. To the best of my knowledge and belief, all statements in this Affidavit of Responsible Supervisory Official are true and correct;
3. I was the Deputy Director of the Child Abuse Prevention Council of Sacramento, Inc. (the "Council") during the calendar years 2002, 2003 and 2004. As such, I was a Responsible Supervisory Official during that time period. I am no longer employed by the Council. Furthermore, I do not currently derive any income from the Council. I am not being paid in any fashion to execute this affidavit. Rather, this affidavit represents my support for the ongoing programs and services that the Council provides to at-risk families and children.
4. As Deputy Director of the Council, I had first hand knowledge of which Council employees worked on the Council's U.S. Department of Housing and Urban Development ("HUD") Healthy Homes Initiative grant;
5. As Deputy Director of the Council, I had first hand knowledge of the activities performed by the employees who worked on the Council's HUD Healthy Homes Initiative grant;
6. I know the contents of the attached Exhibit A. Exhibit A is entitled:  
  
"The Child Abuse Prevention Council of Sacramento, Inc.  
HUD Project  
Recap of Salary Charged to Project by Month  
2002 to 2004";
7. To the best of my knowledge and belief, all evidence submitted in this Exhibit A, attached hereto, is true and correct.
8. To the best of my knowledge and belief, the activity evidenced by Exhibit A represents a reasonable estimate of the actual work performed by the employees who worked on the Council's HUD Healthy Homes Initiative grant in the calendar years 2002, 2003 and 2004;
9. I make this Affidavit of Responsible Supervisory Official freely, and without any mental reservation or purpose of evasion;

IN WITNESS WHEREOF, this Affidavit is being signed under penalty of perjury under the laws of the United States.

Date: June 23, 2006.

  
William Donaldson



**CERTIFICATE OF ACKNOWLEDGMENT**

STATE OF CALIFORNIA

COUNTY OF Sacramento

) ss.

On June 23<sup>rd</sup>, 2006

, before me, Danielle Mason Notary Public

Name And Title Of Officer (e.g. "John Doe, Notary Public")

personally appeared William Donaldson

Name of Signer(s)

☐ personally known to me – OR – ☒ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

*[Signature]*

Signature of Notary Public

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

**DESCRIPTION OF ATTACHED DOCUMENT**

- ☐ Individual  
☐ Corporate Officer

Affidavit of Responsible Supervisory Official;  
Exhibit A attachment

Title or Type of Document

- Title(s)
- ☐ Partner(s) ☐ Limited  
☐ Attorney-In-Fact ☐ General
- ☐ Trustee(s)  
☐ Guardian/Conservator  
☐ Other: \_\_\_\_\_

6  
Number of Pages (including Affidavit of Responsible  
Supervisory Official, Exhibit A attachment, and Certificate  
of Acknowledgement)

06/23/06

Date of Document

Signer is representing:  
Name Of Person(s) Or Entity(ies)

None  
Signer(s) Other Than Named Above

The Child Abuse Prevention Council of Sacramento, Inc.  
 IJHO Project  
 EXHIBIT A  
 Salary Charged to Project by Month  
 2001 to 2004

Last Name	First Name	Type	2004 Calendar Year												Total Hours
			January	February	March	April	May	June	July	August	September	October	November	December	
		Salary			\$ 2,100	\$ 242									\$ 2,342
		Hours			94.98	10.94									105.92
		Salary													\$ 2,342
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		2003 Calendar Year														
Last Name	First Name	Type	January	February	March	April	May	June	July	August	September	October	November	December	Total	Total Hours
		Salary								\$ 1,580	\$ 1,580	\$ 1,580	\$ 1,580	\$ 1,580	\$ 17,960	2,394.67
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## OIG Evaluation of Auditee Comments

- Comment 1** The HUD Office of Inspector General is a respected resource for HUD, Congress and the American public in ensuring the integrity, efficiency, and effectiveness of HUD programs and operations. While we recognize the vital role grant funding plays in the daily operations of non-profits, we have a public duty to independently review HUD programs, including grant recipients, and report our findings without bias. Our reviews are independent, objective, and are based solely on facts, documentation, and applicable rules and regulations. In keeping with the Office of Inspector General's mission, our findings are made based solely on the results of our detailed and thorough audit work.
- Comment 2** The Council claims it accomplished its goals in implementing an effective community outreach education program. However, our audit work identified numerous instances of program shortcomings, inefficiencies, and ineffectiveness (see finding 2). We recognize and appreciate the Council's efforts in trying to achieve its performance goals and promote HUD's mission. However, we respectfully disagree that "administrative technicalities" are trumped by the Council's performance. The "administrative technicalities" referred to are controls put in place to ensure HUD grant funds are expended according to federal rules and regulations and on appropriate HUD related expenses.
- Comment 3** The Council claims that the qualitative goals of the grant are not reflected in the audit's conclusion. In fact, finding 2 is dedicated entirely to the Council's grant performance and its qualitative milestones. The table on page 17 of the report illustrates the qualitative results of every performance goal, including those achieved and not achieved. The report clearly states that the Council "met its training session goals", however, it also indicates the goals met are not indicative of a successful grant program. The OIG recognizes the importance of completing training sessions. However, we identified the goals regarding home visits and families reached of greater significance as they relate to the direct impact of the HUD grant.
- Comment 4** The grant was not cut short or truncated by a HUD-imposed action. In response to the November 2003 HUD Remote Monitoring Report, the Council requested the grant performance period be reduced from March 14, 2004, to December 19, 2003. In the same request, the Council acknowledged a less than acceptable level of performance. HUD accepted the reduced performance period, stating that the Council should no longer train individuals and should instead focus on reaching at risk families through home visits during the remaining months of the contract. Per the Council's request, the grant was only reduced by three months. The Council agreed to accomplish 100 percent of the goals and objectives listed in Appendix E of the report. Pro-rating the goals to illustrate a more favorable accomplishment record would not be appropriate given that the grant period was truncated due to Council performance shortcomings.

**Comment 5** The exit conference is typically held five to seven days after the auditee receives the discussion draft audit report. We accommodated the Council's timing conflicts by scheduling the exit conference on June 8, 2006, 21 days after the Council received the report (May 18, 2006). Typically OIG requires, written comments be received 15 days from issuance of the final discussion draft report. The original June 15, 2006, written comments deadline allowed 29 days for the Council to draft formal written comments. We are not responsible for, nor can we control at which point the auditee decides to enlist the aide of outside legal counsel.

**Comment 6** We disagree with the Council's claims that adequate time was not given to respond to the report. The OIG is concerned with reporting our audit results in a fair and balanced way, and meeting our obligation under Government Auditing Standards to consider the views of responsible officials. We have met that responsibility. Regarding the Council's "due process," our reports and recommendations are advisory. It is the responsibility of the addressee of this report to determine what action is to be taken on our recommendations and implement such actions in a manner that preserves the Council's constitutional rights to due process. With the revised June 23, 2006, written comments deadline, the Council was given 37 days to respond. Additionally, OIG auditors kept the Council's management apprised of findings and material information throughout the audit.

**Comment 7** Claim reimbursement requests are routinely paid by HUD, unless red flags raise concerns regarding the allowability of claimed grant costs. When red flags, such as performance shortcomings, were raised, HUD immediately denied reimbursement requests. Given HUD and the OIG's responsibility to review the financial and program performance of grant recipients, as deemed necessary, the Council was wrong to assume allowability was determined through grant payments.

We strongly disagree with the Council's claims that OIG considers administrative efficiency to be of paramount importance in the audit report process. While we do attempt to conduct our audits in the most efficient manner, we do not allow administrative efficiency to affect audit reporting. We believe the Council was given ample time throughout the audit to prepare for responding to the audit findings. Audit reports must be timely in order to be of maximum relevance. The OIG cannot modify its audit procedures to accommodate grantee representatives' vacations and time off.

**Comment 8** The OIG appreciates the Council's efforts to respond to the report in a timely fashion. During the exit conference and throughout the audit, the Council was given a description of the audit resolution process and is aware that the Council



will be contacted by HUD regarding resolution of the audit findings. The Council's comments were reviewed and taken into consideration when issuing the final audit report.

- Comment 9** Through legal deduction, the Council claims the grant agreement executed with HUD is appropriately interpreted using California contract law over federal law or the rules and regulations agreed to in the grant agreement. The first page of the grant agreement clearly lists rules and regulations that govern the grant agreement: Office of Management and Budget Circulars A-122, A-110, and A-133. When interpreting the grant agreement, as it relates to administration and cost eligibility, the preceding circulars should be the primary source for consultation.
- Comment 10** We agree that the Government Technical Representative plays an important role in HUD grant administration. However, the Government Technical Representative is supposed to collect and review documentation received from the grantee. It would be impractical, considering government time and budget constraints, to expect a Government Technical Representative to conduct a continual audit of each grantee involved in a particular HUD program. The HUD representative would conduct more extensive reviews and possible site visits only when concerns are raised regarding the grantee's performance.
- Comment 11** The Council refers to handwritten notes on the grant agreement scanned and emailed to the Council by the OIG as evidence that HUD failed to take advantage of an opportunity to correct a problem. The handwritten notes on the grant agreement are a result of HUD reviews after the fact. The notes were part of a thorough review of the grant made when grant payments were rejected by HUD.
- Comment 12** The Council is correct in its interpretation of the grant agreement. However, the Inspector General Act of 1978 gives the Office of Inspector General the authority to review the performance and financial aspects of HUD program participants. While the work is deemed as accepted, the OIG has the authority to review accepted products of works to make audit findings and recommendations. Additionally, accepted products of work do not imply that the work was accomplished efficiently and/or effectively.
- Comment 13** Our audit focused on the grant operations of the Child Abuse Prevention Council. We have no comments regarding any reviews or statements pertaining to the performance of HUD employees as these are beyond our audit scope.

As stated in comment 10, the HUD representative is tasked to review documents received from the auditee. When concerns are raised, more thorough reviews are conducted. Through a remote monitoring report, emails, and a high risk letter, the Council was notified of shortcomings and other grant management deficiencies. Additionally, the Council was also notified of financial shortcomings resulting in the rejection of payment vouchers.

- Comment 14** The Council misrepresents the words of an OIG Auditor. The statement “the Agreement is a little unclear” was used to describe to the Council’s legal representative how the statement of work needs to be viewed as a whole document with the grant agreement, not by itself. When reviewing the grant agreement, including the statement of work, it becomes clear that home visits were to be conducted three times for the same family, reaching 700 families, for a total of 2100 home visits. The Council clearly did not think the agreement was unclear as it referred to the 700 families and 2100 home visits in paragraph three, on page 13 of its written comments.
- Comment 15** We disagree that the Council performed all things necessary and therefore is entitled to payment of the requested vouchers. While a significant portion of our audit findings refers to unsupported costs, the Council is incorrect in stating the OIG does not contend that expenses were not necessary. In fact, we do contend that some expenses were unnecessary and therefore, not allowable. Our audit identified numerous travel, supplies, and other expenses that were unnecessary and deemed ineligible. Further, Finding 1 identifies a large portion of AmeriCorps fees that were deemed ineligible, not because of documentation deficiencies, but because a majority of the AmeriCorps fees the Council charged HUD were not eligible grant costs.
- Comment 16** We agree the Council should be reimbursed for “eligible” costs incurred in performing the grant activities. However, the costs must be incurred and documented in accordance with federal rules and regulations. Grant costs must be clearly identified and linked as HUD grant related.
- Comment 17** The Council is incorrect in stating that costs incurred means “allowable costs”. A cost incurred and charged against the HUD grant does not mean that cost is allowable. The HUD representative has the authority to review and deem costs as eligible or ineligible. A cost is allowable only when it is applied and documented in compliance with Office of Management and Budget Circulars A-122 and A-110 and the grant agreement. We find no ambiguity in the terminology used in the grant agreement. The OIG is tasked with finding any instances of waste, fraud, and abuse. Accordingly, we are responsible for applying applicable federal rules and regulations to determine the allowability of costs.
- Comment 18** Simply approving payment requests does not imply the costs associated with a particular payment are allowable and therefore, not eligible for further review and scrutiny. Beginning in June of 2003, HUD rejected payment vouchers because questions arose regarding the allowability of claimed grant costs. The Council was aware of HUD reviews prior to the OIG audit and was made aware of deficiencies throughout the audit review. Office of Management and Budget Circular A-110 allows HUD, the Inspector General, Comptroller General of the United States, or any of their duly authorized representatives, the right of timely

and unrestricted access to any books, documents, papers, or other records of recipients that are pertinent to the awards, in order to make audits, examinations, excerpts, transcripts and copies of such documents.

**Comment 19** The first page of the grant agreement clearly lists applicable HUD rules and regulations. Based on our audit fieldwork, it was apparent that the Council failed to become familiar with the applicable rules and regulations. Therefore, the Council executed its grant without knowledge of financial and documentation requirements.

**Comment 20** The Council's comments have been incorporated into the audit report and aspects of the report have been modified. However, the OIG clearly stated to the Council that, to be considered in the final audit report, documentation was to be received with the written comments. During the exit conference, the OIG listed what level of documentation was appropriate to address the audit findings.

**Comment 21** The Council is correct in the terminology used. However, the Council is incorrect in interpreting the grant agreement in very loose terms. The Council goes so far as to use the dictionary for definitions. The goals and objectives are an agreed to set of milestones that HUD is expecting to be accomplished with the grant money provided. The goals and objectives are not performance levels that HUD is hoping the Council achieves, rather they are expected. The terms "statement of work" is the same as goals and objectives. In both cases, HUD expects those goals/work milestones to be accomplished.

**Comment 22** As stated in comment 21, the goals and objectives are HUD's expectations as to what is to be accomplished. Comparing the actual accomplishments with the agreed to milestones is a standard way of measuring the Council's grant performance. The Council did in fact report on its milestones and qualitative accomplishments. We disagree that our audit utilized an "all or nothing" approach. Rather, our comparison of accomplishments versus goals was only one part of our review. As stated during the exit conference, we scrutinized the documentation to see behind the numbers and identify trends or irregularities. As stated in finding 2, we found numerous deficiencies that illustrate ineffective and inefficient grant operations.

While the Council claims that the Council largely met its goals and objectives, we found it did not meet its most important goal (home visits) and did not execute the grant effectively or efficiently (finding 2). Funds are being denied and/or withheld because the Council could not provide adequate supporting documentation or costs were determined to be ineligible. Our findings regarding the allowability of costs are separate and distinct from our finding on grant performance.

- Comment 23** Once again the Council misrepresented the words of an OIG Auditor. The OIG Auditor was merely stating that he understood what Mr. Boutin was trying to say and in no way was giving his concurrence. The Council is looking at finding 2 in individual separate parts instead of as a whole. Finding 2 does identify those accomplishments that were met. We did not laud the Council's accomplishments because our audit work found the work was rushed, at times duplicated, and not effectively managed. While the claimed accomplishments might have been somewhat appealing on paper, they are less than desirable given what was actually accomplished.
- Comment 24** HUD was not a primary funding source and therefore, must pay close attention to the way its grant monies were spent. We must make sure that the same level of attention and detail that is provided to the Council's larger grantors is also provided to its smaller less significant grantors.
- Comment 25** As stated in finding 2, while the Council met its "training session goals," these goals are not very relevant to achievement of the overall grant goal of community outreach and education. Attendees at these training sessions could consist of more than 30 people or as few as three people. Accordingly, the goals related to the number of persons fully trained is of far greater importance as once trained, they are the primary means for conducting the principal grant objective, education and outreach programs in targeted counties.
- Comment 26** Given the Council's varying levels of performance and its poor performance in the first two years of the grant, there is no way of knowing which goals would have been met. As stated in Comment 4, the Council is the party responsible for truncating the performance period.
- Comment 27** The number of people attending training sessions was counted based on sign in sheets provided by the Council. The Council did not have a uniform sign-in sheet and used a number of different formats throughout the grant period. Certain sign-in sheets were for three combined training sessions/topics, others were for one single session/topic. We did give credit for those training sessions where the sign in sheets explicitly showed that the training sessions covered all four HUD related training sessions.
- Comment 28** We counted every home visit recording chart provided to us by the Council. To get a clear picture of the grant performance during the grant period, we excluded those home visits to families that occurred outside the grant period of March 15, 2001 through March 14, 2004.
- Comment 29** The Council is incorrect in stating we did not count 56 home visits. The 1399 total eligible home visits include the 56 home visits. The table on page 18 of the report has been modified to provide a clearer understanding.

- Comment 30** We disagree with the Council’s characterization of persons attending the same training more than once as isolated incidents. We identified 163 instances of persons attending the same training session/topic more than once.
- Comment 31** Per the grant agreement under “A. Intervention Strategy”, home visits will be at their most intensive level of service with one-hour weekly visits. Any visits made less than a week apart are not ideal as it makes tracking long term behavioral changes less significant. Had the grant been executed throughout the three years and not rushed in the third year, visits made less than a week apart would not have been needed.
- Comment 32** Given the description provided by the Council at the exit conference, in their written comments, and during the audit, we have determined that the distribution of materials is no longer a failed grant goal. While we believe the Council could have done a better job documenting when and where educational materials were distributed, we agree that it is too cumbersome to require or mandate every instance to be recorded. We find the quarterly reports and examples of materials used to be sufficient and have revised our report accordingly.
- Comment 33** We did not include the teleconferencing goal as a failed goal in the discussion draft report. The table in the audit report shows this as an accomplished goal.
- Comment 34** The flurry of activity was caused by the Council’s lack of grant execution in the first two years of the grant, thus the need for a high risk letter. Without the high risk letter, who is to know what the ultimate accomplishments would have been.
- Comment 35** We find that the comments provided by the Council provided little to change our second finding of the draft audit report. While we did change the distribution of materials from a failed goal to an accomplished goal, all other aspects of the finding remain the same. The Council performed well on paper, but when we looked into the grant execution and performance evidence, we found the Council did not adequately achieve its grant objectives.
- Comment 36** While the OIG did not execute the grant agreement with the Council, we consulted HUD Office of Healthy Homes and Lead Hazard Control staff when reviewing the \$500 AmeriCorps fee charges.
- Comment 37** The Council is incorrect in saying neither HUD nor the OIG were told by the Council how it interpreted the \$500. In fact, the OIG received the general ledgers and an AmeriCorps fee calculation worksheet that showed explicitly how the Council interpreted and calculated the \$500 fee. In addition, meetings with Council management provided further concrete details as to how the \$500 was calculated and charged to the grant. While the Council may have understood the \$500 to be a fee for training, we disagree with its method of calculating the amount of fees earned.

**Comment 38** Again, the Council incorrectly assumes the OIG had no actual knowledge of the Council's interpretation. The Council incorrectly assumes that since HUD approved payment of vouchers, the associated costs are all allowable. Rather, all costs are subject to review by HUD and the OIG. One of our audits objectives was to determine if costs were charged according to the grant agreement and other federal rules and regulations. As such, it is within the OIG's authority to question costs even after payment has been approved.

**Comment 39** The Council's legal representation has provided a skewed view of the OIG's words and interpretation. While the grant agreement does not specifically contain verbiage regarding the \$500 AmeriCorps fee, the agreement does contain an approved budget that includes a total amount of \$495,000 (revised down from an original \$600,000). The total amount was derived from the verbiage in the grant application. We found it entirely appropriate to look to the grant application to seek guidance as to how the \$500 was described and calculated. Aside from the evidence previously stated, we found the application to be more than adequate to give insight as to the original intention. The current HUD grants officer and HUD representative concurred that the \$500 would not be appropriate if charged per individual, per each training session attended.

The grant application set aside \$675,000 for AmeriCorps fees, listed under direct labor. The reductions from the application to the agreement were due to HUD's approval of a grant amount less than what was requested. The grant application clearly states that the \$500 fee was for "total compensation" for members in the program. The application continues to state "Only \$675,000 or \$500 per AmeriCorps member is being charged to the grant". The previous two statements give a clear and concrete indication that the Council was entitled to only \$500 per AmeriCorps member.

**Comment 40** The Council is incorrect in assuming the OIG has decided to incorporate the application as part of the agreement. We merely looked to the application for guidance as to how the \$500 was originally derived by the Council.

**Comment 41** See comment 40 regarding the inclusion of the application into the agreement.

**Comment 42** The term "cycle" was merely used during the exit conference to clarify the explanation to the participants. The grant agreement clearly indicates what is expected of AmeriCorps members involved with the HUD grant. AmeriCorps members participating in the HUD grant fall into two categories: home visitors and family resource center participants. Both types of AmeriCorps members are required to be fully trained before conducting community education and outreach. The grant agreement clearly states, "Home visitors will be trained in specific curricula in lead poisoning, home environment hazards....second hand smoke, and asthma." The grant agreement states that home visitors will "...act as personal trainers in each of the four topics." Regarding family resource centers, the

agreement states, “all staff, including AmeriCorps members and VISTA members, will be trained as trainers in each of the four target areas: lead poisoning, home environment hazards, second hand smoke, and asthma.” Clearly, the grant agreement laid out stipulations that both home visitors and family resource center aides were to be fully trained in order to conduct community outreach and education.

**Comment 43** We disagree with the Council’s interpretation. While the Council provides a theoretical explanation, actual practices again prove the Council’s interpretation incorrect. The HUD grant consisted of four, not three, training topics. In addition, three of the training topics were bundled into one training session. We find it impractical and wasteful for the Council to work under the impression that HUD was to pay \$500 per training session attended, when the \$500 was not going to AmeriCorps members as part of a stipend or salary, but directly to the Council as a fee for training (which was put-on by subcontractors whose billed costs were charged to the grant separately).

**Comment 44** While we disagree with the Council’s interpretation, we acknowledge that two sets of AmeriCorps workers did exist: home visitors and family resource center aides. Therefore, we have modified the report and our analysis of the \$500 fee, which remains as a per member fee, to include both home visitors and family resource center aides.

Given the analysis in comment 42, we find that it is reasonable to allow the Council to receive payment for those AmeriCorps members, both home visitors and family resource center aides, who completed all four training topics: asthma, second hand smoke, home environment, and lead based poisoning. Using training sign-in sheets and the AmeriCorps roster, we determined there was a total of 144 AmeriCorps members that received training in all four required topics. Using the 144 eligible AmeriCorps members, we conclude that the Council is eligible to receive \$72,000 in AmeriCorps fees. The first finding and associated recommendation has been modified in the report to reflect this change.

**Comment 45** See comment 38.

**Comment 46** See comment 44.

**Comment 47** We disagree that our conclusions were based on incomplete data. In fact, we have home visit recording charts that run well past the end of the grant period (March 14, 2004). However, we only included home visits that were conducted within the grant period, as this would provide a complete view of the Council’s performance during the grant period.

**Comment 48** See comment 44.



**Comment 49** The Council failed to provide additional documentation to show that charges from Performance by Design are allowable and allocable. The Council provides exhibit one as evidence indicating the allowability of costs charged by Performance by Design. While the descriptions given in exhibit one are HUD related, the Council has yet to document the necessity of the contract. The Council identifies Performance by Design as being responsible for their quick turnaround in year three. However, the high risk letter, HUD's continued involvement, and the severity of the Council's nonperformance in the first two years appear to be the likely causes of the quick turnaround and urgency to complete the grant.

As it stands, the Council failed to notify HUD of the contract with Performance by Design, rendering it ineligible. Additionally, many of the services performed by Performance by Design were tasked to other contractors. All trainings required under the grant were already contracted to outside agencies. Given the failure to notify HUD as required, and the existing contracts with two training agencies and an evaluation services firm, we maintain the costs by Performance by Design are ineligible. The Council has not provided enough evidence to indicate charges by Performance by Design are eligible grant costs.

**Comment 50** An interview with another Council employee indicated that many people within the organization were contributing with the collection of evaluation tools.

**Comment 51** See comment 49.

**Comment 52** The OIG provided a detailed explanation to the Council of what was documentation was required to support costs charged by the Sacramento Department of Health and Human Services, American Lung Association, and Minicucci Associates. In addition to the existing invoices, the Council was to obtain supporting documentation for each budgetary line item, linking the cost charged to the grant to actual services provided. Office of Management and Budget Circular A-122 states that subcontracts are also subject to Office of Management and Budget mandated cost principles. Clearly, the invoices alone for the above mentioned contractors are not sufficient documentation to determine allowability.

While the Council did provide explanations as to work accomplished by all three agencies, the Council failed to obtain and provide the OIG with documentation linking services provided with costs charged. Supporting documentation is crucial to ensure the Council, and in turn HUD, was not over billed, double billed, or billed for services that were not HUD grant related. Without supporting documentation clearly linking charges from the three contractors to services provided, the costs remain unsupported.

- Comment 53** See comment 52. While the Council claims a budget was included in the original CAP contract, the budget was not given to the OIG when requested. However, the budget alone would not determine allowability. Supporting documentation linking services completed with costs charged is still needed.
- Comment 54** While the OIG has given the Council numerous opportunities and over eight months to provide supporting documentation for costs related to the three primary subcontractors, the Council has failed to provide such documentation. To determine allowability for all three contractors mentioned in comment 52, the Council will need to provide supporting documentation (i.e. Contractor timesheets, contractor invoices for travel and supplies, and other documentation that details the costs charged in the invoices provided to HUD) that clearly and directly links costs charged in the contractor invoices to the HUD grant. Simply providing a budgetary line item breakdown of costs is not sufficient.
- Comment 55** We commend the Council in taking corrective action in upgrading its financial management systems and organizational capacity.
- Comment 56** Neither the report, nor the OIG, take the position that only three employees were allowed to work on the grant. However, the original and revised budgets only allocated HUD grant money for the three positions specified in the grant agreement.
- Comment 57** While the Council did provide timesheets, each timesheet was very vague and uninformative. The timesheets failed to allocate time based on activity and did not conform to Office of Management and Budget Circular A-122.
- Comment 58** The Council claims only thirteen persons worked on the grant; however, through the general ledgers and the Council's expense details, we determined that the Council charged time for 14 persons and two categories (other and temporary staff). Therefore, we arrived at 16 different "persons" whose time was charged to the grant. The Council provided an explanation for each employee and how they were critical to the grant. However, the explanation does not take away from the fact that each person charged time to the grant without adequate supporting documentation.
- Comment 59** The affidavit found in Exhibit 4 of the Council's comments is not sufficient. The signed affidavit itself is simply based on recollections of the former Deputy Director of Finance and Operations. The affidavit is accompanied by excel spreadsheets, created by the Council, with the total hours and salary amount charged by each employee on a per month basis. The spreadsheet also contains a calculation for fringe benefits. However, the spreadsheet itself is unsupported and is not sufficient to determine allowability. Office of Management and Budget Circular A-122 clearly illustrates what is required to support direct labor charges. Short of time records or a time database, the salaries remain unsupported.

- Comment 60** The Council is requesting specific reference as to what invoices and checks comprise each of the line items in question on page 14 of the report. However, the Council was notified prior to the exit conference and during the exit conference that its written comments were to include supporting documentation, if applicable. The Council should have requested the additional information prior to submitting its written comments to allow for it to review the questioned expenses prior to drafting its written comments. However, OIG will provide information needed to clarify any questions during the audit resolution process.
- Comment 61** All direct charges, including travel, must be accompanied by adequate supporting documentation to support the charges. The Council failed to submit receipts and invoices to support travel expenses.
- Comment 62** After reviewing the Council's comments, we have concluded that two changes to the draft report are warranted: 1) the Council is entitled to \$72,000 of AmeriCorps fees, rather than the \$17,000 set out in the discussion draft report, and 2) the Council achieved its goal of distributing materials to family resource centers. All other findings and conclusions remain the same.
- Comment 63** The Council is correct in stating that the report could be revised in light of newly discovered/submitted supporting documentation. However, we found the Council's comments to be lacking the material documentation needed to support costs and its performance claims. While we appreciate the Council's efforts in meeting the comments deadline, we find that the comments were not sufficient to modify the report except as stated in comment 62.
- Comment 64** The HUD representative calculates the scores based on documentation submitted by the Council. Government time and money limitations do not allow HUD representatives to scrutinize documentation to the fullest extent. However, the OIG is tasked with making sure government funds are spent in an efficient and effective manner. Our audits include a detailed review of documents and other information to identify instances of waste, fraud, and abuse, and to meet our established audit objectives. For this reason, our review is a great deal more detailed and in depth than those conducted by HUD representatives. Therefore, while the Council may have received a good rating from HUD, our review indicated there were significant problems with the way funds were expended, the way expenses were documented, and the way the grant was executed.

While the Council met most of its goals on paper, we found the goals that were met (training sessions conducted) were of limited importance compared to the home visits and families reached goals which were not effectively attained. In addition, as stated in the report, the Council executed the grant in an inefficient and ineffective manner, allowing duplicate training sessions to be completed by

the same person, less than timely home visits, and limiting its grant activities primarily to Sacramento County rather than throughout the 17 counties targeted in its grant agreement.

**Comment 65** Our findings, both monetary and non-monetary, are meaningfully related to the Council's performance. We found deficiencies with the way funds were expended, the way expenses were documented, and the way the grant was executed. See comment 64 above. While we acknowledge the importance of the President's remarks, we also realize that those remarks are not intended to allow for undocumented spending and noncompliance with grant rules and regulations.

## Appendix C

### CRITERIA

- A. **Regulations at 24 CFR [Code of Federal Regulations] Part 84** establish uniform administrative requirements for federal grants and agreements awarded to institutions of higher education, hospitals, and other nonprofit organizations.
- B. **Office of Management and Budget Circular A-87, section C, subparagraph 1.j,** requires all costs to be adequately documented.
- C. **Office of Management and Budget Circular A-110, subpart C, section .21, paragraph b, subparagraph 2,** requires recipients' financial management systems to provide for the following: records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
- D. **Office of Management and Budget Circular A-110, subpart C, section .21, paragraph b, subparagraph 7,** states that recipients' financial management systems shall provide the following: accounting records, including cost accounting records, that are supported by source documentation.
- E. **Office of Management and Budget Circular A-110, subpart C, section 25, paragraph c, subparagraph 8,** requires recipients to request prior approval from HUD, unless described in the application and funded in the approved awards, for the subaward, transfer, or contracting out of any work under an award.
- F. **Office of Management and Budget Circular A-110, paragraph C, subparagraph 45,** states that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.
- G. **Office of Management and Budget Circular A-122, attachment A, paragraph 2, subparagraphs a-g,** state that to be allowable under an award, costs must be reasonable and allocable for the performance of the award; allocable thereto under these principles; accorded consistent treatment, determined in accordance with generally accepted accounting principles; and adequately documented.
- H. **Office of Management and Budget Circular A-122, paragraph 3, subparagraph b,** states that all cost reimbursement subawards (subgrants, subcontracts, etc.) are subject to those federal cost principles applicable to the particular organization concerned. If a subaward is to a nonprofit organization, Circular A-122 shall apply; if a subaward is to a

commercial organization, the cost principles applicable to commercial concerns shall apply; if a subaward is to a college or university, Circular A-21 shall apply; if a subaward is to a state, local, or federally recognized Indian tribal government, Circular A-87 shall apply.

- I. Office of Management and Budget Circular A-122, attachment A, section E, paragraph 2.b,** requires a nonprofit organization which has not previously established an indirect cost rate with a federal agency, to submit its initial indirect cost proposal immediately after the organization is advised that an award will be made and, in no event, later than three months after the effective date of the award.
- J. Office of Management and Budget Circular A-122, attachment A, section A, paragraph 3-3.a,** states that in determining the reasonableness of a given cost, consideration shall be given to whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- K. Office of Management and Budget Circular A-122, attachment B, section 7, paragraph m, subparagraph 1,** requires charges to awards for salaries and wages, whether treated as direct costs or indirect costs, to be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency (see subparagraph E.2 of attachment A).
- L. Office of Management and Budget Circular A-122, attachment B, section 7, paragraph m, subparagraph 2,** requires employee time reports maintained by nonprofit organizations to meet the following standards: (a) the reports must reflect an after-the-fact determination of the actual activity of each employee (budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards); (b) each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization; (c) the reports must be signed by the individual employee or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, stating that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports; and (d) the reports must be prepared at least monthly and must coincide with one or more pay periods.

## Appendix D

### SCHEDULE OF INELIGIBLE AND UNSUPPORTED EXPENSES

#### Reimbursed Drawdowns

Expense	Amount billed to HUD	Expense details	Allowable	Ineligible	Unsupported	Total
<b>Direct labor</b>						
Training manager	\$ 6,998.34	\$ 6,998.34	\$ -	\$ -	\$ 6,998.34	\$ 6,998.34
Trainer	7,480.63	7,480.63	-	-	7,480.63	7,480.63
Trainer	3,887.49	3,887.49	-	-	3,887.49	3,887.49
Trainer	1,038.24	1,038.24	-	-	1,038.24	1,038.24
Training coordinator	2,224.04	2,224.04	-	-	2,224.04	2,224.04
Training coordinator	10,487.40	10,487.40	-	-	10,487.40	10,487.40
Trainer	636.37	636.37	-	-	636.37	636.37
Trainer	14,064.51	14,064.51	-	-	14,064.51	14,064.51
Temps	3,552.95	3,552.95	-	-	3,552.95	3,552.95
<b>Total direct labor</b>	<b>\$ 50,369.97</b>	<b>\$ 50,369.97</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,369.97</b>	<b>\$ 50,369.97</b>
<b>AmeriCorps fees</b>						
<b>Total AmeriCorps fees</b>	<b>\$ 190,500.00</b>	<b>\$ 190,500.00</b>	<b>\$ 72,000.00</b>	<b>\$ 118,500.00</b>	<b>\$ -</b>	<b>\$ 190,500.00</b>
<b>Grant advance</b>						
<b>Total grant advance</b>	<b>\$ 150,000.00</b>	<b>\$ 150,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,000.00</b>
<b>Fringe benefits</b>						
Federal Insurance Contributions Act	The Council failed to reconcile its accounting data to the amount billed to HUD. However, all are unsupported. We subtracted the \$487.13 overage from the total unsupported.	\$ 3,326.79	\$ -	\$ -	\$ 3,326.79	\$ 3,326.79
Unemployment insurance		223.37	-	-	223.37	223.37
Healthcare		2,505.00	-	-	2,505.00	2,505.00
Workers compensation		10,815.09	-	-	10,815.09	10,815.09
Other		417.06	-	-	417.06	417.06
<b>Credit - failed reconciliation</b>		-	-	-	(487.13)	(487.13)
<b>Total fringe benefits</b>		<b>\$ 16,800.18</b>	<b>\$ 17,287.31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,800.18</b>
<b>Supplies</b>						
Office supplies	The Council failed to reconcile its accounting data to the amount billed to HUD. Therefore, we analyzed the \$45,429.30 for allowability. We then subtracted the \$4897.31 overage from the total unsupported.	\$ 17,351.66	\$ 130.00	\$ 8,743.18	\$ 8,478.48	\$ 17,351.66
Postage		582.53	-	-	582.53	582.53
Equipment rental and repair		527.50	-	490.05	37.45	527.50
Small equipment (\$1000)		896.96	-	-	896.96	896.96
Equipment repair and maintenance		802.14	-	802.14	-	802.14
Communications		3,663.21	-	3,167.82	495.39	3,663.21
Audit of program		7,840.92	-	-	7,840.92	7,840.92
Projectors and related equipment		13,764.38	13,764.38	-	-	13,764.38
<b>Credit - failed reconciliation</b>		-	-	-	(4,897.31)	(4,897.31)
<b>Total supplies</b>		<b>\$ 40,531.99</b>	<b>\$ 45,429.30</b>	<b>\$ 13,894.38</b>	<b>\$ 13,203.19</b>	<b>\$ 40,531.99</b>
<b>Travel</b>						
Travel - outside	The Council failed to reconcile its accounting data to the amount billed to HUD. Therefore, we analyzed the \$10,459.65 for allowability. We then subtracted the \$434.33 overage from the total unsupported.	\$ 3,514.34	\$ 1,505.42	\$ 901.18	\$ 1,107.74	\$ 3,514.34
Travel - local		625.15	21.48	411.21	192.46	625.15
Travel - parking		12.50	-	12.50	-	12.50
Travel - AmeriCorps members		1,253.90	-	1,253.90	-	1,253.90
Travel - airfare		948.00	948.00	-	-	948.00
Travel - other (conference, etc.)		4,105.76	-	3,232.12	873.64	4,105.76
<b>Credit - failed reconciliation</b>		-	-	-	(434.33)	(434.33)
<b>Total travel</b>		<b>\$ 10,025.32</b>	<b>\$ 10,459.65</b>	<b>\$ 2,474.90</b>	<b>\$ 5,810.91</b>	<b>\$ 1,739.51</b>
<b>Contractual</b>						
American Lung Association	\$ 82,395.80	\$ 82,395.80	\$ 1,102.00	\$ -	\$ 81,293.80	\$ 82,395.80
Sacramento Health & Human Services	58,721.00	58,721.00	-	-	58,721.00	58,721.00
LPC Consulting	1,925.10	1,925.10	-	1,925.10	-	1,925.10
<b>Total contractual</b>	<b>\$ 143,041.90</b>	<b>\$ 143,041.90</b>	<b>\$ 1,102.00</b>	<b>\$ 1,925.10</b>	<b>\$ 140,014.80</b>	<b>\$ 143,041.90</b>
<b>Other</b>						
Office rent	\$ 4,731.14	\$ 4,731.14	\$ -	\$ -	\$ 4,731.14	\$ 4,731.14
Donation for training room	125.00	125.00	-	125.00	-	125.00
<b>Total other direct</b>	<b>\$ 4,856.14</b>	<b>\$ 4,856.14</b>	<b>\$ -</b>	<b>\$ 125.00</b>	<b>\$ 4,731.14</b>	<b>\$ 4,856.14</b>
<b>Total</b>	<b>\$ 606,125.50</b>	<b>\$ 611,944.27</b>	<b>\$ 89,471.28</b>	<b>\$ 139,564.20</b>	<b>\$ 227,090.02</b>	<b>\$ 606,125.50</b>
Application of \$150,000 grant advance for expenses incurred: April 1, 2003 - December 31, 2003, converting unpaid expenses to informally reimbursed expenses (see preceding table)			-	699.61	149,300.39	
<b>Revised total</b>			<b>\$ 89,471.28</b>	<b>\$ 140,263.81</b>	<b>\$ 376,390.41</b>	

Note: The \$150,000 grant advance received on September 12, 2001, was not applied to grant expenses until late October 2004



## Rejected Drawdown

Expense	Amount charged to HUD	Allowable	Ineligible	Unsupported	Total
<b>Direct labor</b>					
Training manager	\$ 4,956.66	\$ -	\$ -	\$ 4,956.66	\$ 4,956.66
Trainer	1,417.68	-	-	1,417.68	\$ 1,417.68
Trainer	4,250.01	-	-	4,250.01	\$ 4,250.01
Trainer	17,626.02	-	-	17,626.02	\$ 17,626.02
Trainer	2,187.02	-	-	2,187.02	\$ 2,187.02
Trainer	7.98	-	-	7.98	\$ 7.98
Trainer	31,554.67	-	-	31,554.67	\$ 31,554.67
Training coordinator	7,143.07	-	-	7,143.07	\$ 7,143.07
Training	729.00	-	-	729.00	\$ 729.00
Program manager	19,896.50	-	2,341.83	17,554.67	\$ 19,896.50
Supervisor-Arden	9,132.00	-	4,106.74	5,025.26	\$ 9,132.00
Accounting manager	35,003.72	-	-	35,003.72	\$ 35,003.72
Accounting clerk	614.83	-	-	614.83	\$ 614.83
Trainer	4,250.01	-	-	4,250.01	\$ 4,250.01
Temporary staff	16,979.79	-	-	16,979.79	\$ 16,979.79
Application of grant advance	(149,300.39)	-	-	-	(149,300.39)
<b>Total direct labor</b>	<b>\$ 6,448.57</b>	<b>\$ -</b>	<b>\$ 6,448.57</b>	<b>\$ 149,300.39</b>	<b>\$ 6,448.57</b>
<b>AmeriCorps fees</b>					
AmeriCorps fees	\$ 139,000.00	\$ -	\$ 139,000.00	\$ -	\$ 139,000.00
Application of grant advance	(699.61)	-	-	-	(699.61)
<b>Total AmeriCorps fees</b>	<b>\$ 138,300.39</b>	<b>\$ -</b>	<b>\$ 139,000.00</b>	<b>\$ -</b>	<b>\$ 138,300.39</b>
<b>Fringe benefits</b>					
Federal Insurance Contributions Act	\$ 11,006.57	\$ -	\$ -	\$ 11,006.57	\$ 11,006.57
Unemployment insurance	2,245.28	-	-	2,245.28	2,245.28
Administrative health fees	2.00	-	-	2.00	2.00
Healthcare	12,548.32	-	148.81	12,399.51	12,548.32
Workers compensation	25,215.59	-	-	25,215.59	25,215.59
Payroll taxes & benefits - other	3,138.61	-	-	3,138.61	3,138.61
<b>Total fringe benefits</b>	<b>\$ 54,156.37</b>	<b>\$ -</b>	<b>\$ 148.81</b>	<b>\$ 54,007.56</b>	<b>\$ 54,156.37</b>
<b>Supplies</b>					
Office supplies	\$ 16,576.31	\$ 182.67	\$ 5,881.64	\$ 10,512.00	\$ 16,576.31
Food	690.00	-	450.00	240.00	690.00
Education materials	1,459.25	-	-	1,459.25	1,459.25
Communications	4,067.22	-	1,966.98	2,100.24	4,067.22
Equipment rental and repair	1,081.58	-	-	1,081.58	1,081.58
Equipment repair and maintenance	932.63	-	596.42	336.21	932.63
Equipment rental credit	(142.59)	-	-	(142.59)	(142.59)
Supplies credit	(1,020.30)	-	-	(1,020.30)	(1,020.30)
<b>Total supplies</b>	<b>\$ 23,644.10</b>	<b>\$ 182.67</b>	<b>\$ 8,895.04</b>	<b>\$ 14,566.39</b>	<b>\$ 23,644.10</b>
<b>Travel</b>					
Travel - local	\$ 282.37	\$ 6.69	\$ 136.79	\$ 138.89	\$ 282.37
Mileage - AmeriCorps members	5,585.89	-	-	5,585.89	5,585.89
Other - Performance by Design	314.22	-	314.22	-	314.22
<b>Total travel</b>	<b>\$ 6,182.48</b>	<b>\$ 6.69</b>	<b>\$ 451.01</b>	<b>\$ 5,724.78</b>	<b>\$ 6,182.48</b>
<b>Contractual</b>					
American Lung Association	\$ 67,127.58	\$ 859.50	\$ -	\$ 66,268.08	\$ 67,127.58
Sacramento Health & Human Services	53,086.00	-	-	53,086.00	53,086.00
Minicucci Associates	47,112.86	-	3,639.80	43,473.06	47,112.86
Performance by Design	37,412.81	-	37,412.81	-	37,412.81
Kronick Consulting	9,450.00	-	9,450.00	-	9,450.00
Office Team	2,899.26	-	2,899.26	-	2,899.26
(American Lung Association credit)	(38,386.94)	-	-	(38,386.94)	(38,386.94)
<b>Total contractual</b>	<b>\$ 178,701.57</b>	<b>\$ 859.50</b>	<b>\$ 53,401.87</b>	<b>\$ 124,440.20</b>	<b>\$ 178,701.57</b>
<b>Other</b>					
Audit	\$ 10,655.00	\$ -	\$ 900.00	\$ 9,755.00	\$ 10,655.00
Postage and shipping	2,797.47	45.09	1,997.77	754.61	2,797.47
Copying	465.71	32.16	33.11	400.44	465.71
<b>Total other direct</b>	<b>\$ 13,918.18</b>	<b>\$ 77.25</b>	<b>\$ 2,930.88</b>	<b>\$ 10,918.05</b>	<b>\$ 13,918.18</b>
<b>Total</b>	<b>\$ 421,351.66</b>	<b>\$ 1,126.11</b>	<b>\$ 211,276.18</b>	<b>\$ 358,949.37</b>	<b>\$ 421,351.66</b>
Application of \$150,000 grant advance, converting unpaid expenses to informally reimbursed expenses (see previous table)		-	(699.61)	(149,300.39)	
<b>Revised total</b>		<b>\$ 1,126.11</b>	<b>\$ 210,576.57</b>	<b>\$ 209,648.98</b>	

Note: The Council charged \$571,352 against the HUD grant; however, it requested reimbursement for \$421,352 after applying a \$150,000 grant advance received on September 12, 2001.

## Appendix E

### GRANT AGREEMENT: STATEMENT OF WORK

#### YEAR ONE OBJECTIVES:

1. Provide 8 train-the-trainers workshops in A is for Asthma to 100 FRC/HV staff.
2. Provide 8 train-the-trainers workshops in Second Hand Smoke to 100 FRC/HV staff.
3. Provide 8 train-the-trainers workshops in Home Environment to 100 FRC/HV staff.
4. Provide 12 training workshops in Lead Based Poisoning to 150 FRC/HV staff.
5. Conduct 700 home visits to at-risk families by Home Visitors trained in the above topics resulting in increased awareness by families and detection of hazards.
6. Distribute materials to 14 FRC's for distribution to at-risk families.

#### YEAR TWO OBJECTIVES:

1. Provide 8 train-the-trainers workshops in A is for Asthma to 120 FRC/HV staff.
2. Provide 8 train-the-trainers workshops in Second Hand Smoke to 120 FRC/HV staff.
3. Provide 8 train-the-trainers workshops in Home Environment to 1200 FRC/HV staff.
4. Provide 12 training workshops in Lead Based Poisoning to 150 FRC/HV staff.
5. Conduct 700 home visits to at-risk families by Home Visitors trained in the above topics resulting in increased awareness by families and detection of hazards.
6. Distribute materials to 17 FRC's for distribution to at-risk families.
7. Increase blood testing by MediCal eligible families in targeted counties by 5%.
8. Provide training workshops to 100 parents and adult care givers.
9. Set up teleconferencing capacity for two counties.

#### YEAR THREE OBJECTIVES:

1. Provide 8 train-the-trainers workshops in A is for Asthma to 150 FRC/HV staff.
2. Provide 8 train-the-trainers workshops in Second Hand Smoke to 150 FRC/HV staff.
3. Provide 8 train-the-trainers workshops in Home Environment to 150 FRC/HV staff.
4. Provide 12 training workshops in Lead Based Poisoning to 170 FRC/HV staff and 100 child care providers.
5. Conduct 700 home visits to at-risk families by Home Visitors trained in the above topics resulting in increased awareness by families and detection of hazards.
6. Increase blood testing by MediCal eligible families in targeted counties by 10%.
7. Provide training workshops to 100 parents and adult care givers.
8. Set up teleconferencing for four counties.