



Virgin Islands Community AIDS
Resource & Education, Inc.,
Christiansted, USVI
Housing Opportunities for Persons
With AIDS Program



To: María Ortíz, Director, Community Planning and Development, San Juan Field Office, 4ND

From: //signed//
Nikita N. Irons, Regional Inspector General for Audit, Atlanta Region, 4AGA

Subject: Virgin Islands Community AIDS Resource & Education, Inc., Did Not Administer Its Program in Accordance With HUD Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Virgin Islands Community AIDS Resource & Education, Inc.'s Housing Opportunities for Persons With AIDS program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 404-331-3369.



Audit Report Number: 2015-AT-1004

Date: July 2, 2015

Virgin Islands Community AIDS Resource & Education, Inc., Did Not Administer Its Program in Accordance With HUD Requirements

Highlights

What We Audited and Why

We audited Virgin Islands Community AIDS Resource & Education, Inc.'s (VICARE) Housing Opportunities for Persons With AIDS (HOPWA) program. This audit was the result of a referral from the San Juan Office of Community Planning and Development. The objective of the audit was to determine whether VICARE spent HOPWA funds in accordance with the U.S. Department of Housing and Urban Development (HUD) requirements and for eligible efforts.

What We Found

VICARE's financial management system did not properly identify the application of more than \$538,000 in HOPWA funds and did not support the eligibility and reasonableness of more than \$143,000 in program disbursements. In addition, VICARE allowed the use of more than \$12,000 for ineligible expenditures. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes and in accordance with HUD requirements.

What We Recommend

We recommend that HUD instruct VICARE to (1) submit all supporting documentation showing the eligibility and propriety of more than \$681,000 in HOPWA funds and (2) return from non-Federal funds \$12,447 in ineligible expenditures.

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Background and Objective

The Housing Opportunities for Persons With AIDS (HOPWA) program is authorized under the AIDS Housing Opportunity Act, 42 U.S.C. (United States Code) 12901 et seq., Title 24, Part 574. Its primary focus is establishing stable housing, reducing the risk of homelessness, and improving access to healthcare and supportive services for persons and their families living with HIV-AIDS. Entitlement grants are awarded by formula to States and qualifying cities. Competitively awarded grants may be awarded to (1) States, local governments, and nonprofit organizations for special projects of national significance and (2) projects submitted by States and localities in areas that do not qualify for HOPWA formula allocations. Nonprofit organizations are eligible to apply for projects of national significance but may also serve as a project sponsor to formula grantees.

Virgin Islands Community AIDS Resource & Education, Inc. (VICARE) is a nonprofit organization incorporated in the U.S. Virgin Islands, dedicated to promoting HIV-AIDS education. Between 2004 and 2011, the U.S. Department of Housing and Urban Development (HUD) approved more than \$3.9 million in HOPWA funds (competitive awards) to VICARE.

Year	Authorized amount
2004	\$1,158,255
2008	1,373,406
2011	1,373,400
Total	\$3,905,061

VICARE is no longer a recipient of HOPWA funds since the 2011 grant reached its end on July 31, 2014, and HUD has not awarded new funding. On August 14, 2014, the Office of Inspector General (OIG) received a referral from the San Juan Office of Community Planning and Development, stating that VICARE had depleted the funds of its year 2011 grant 1 year before the end of the grant period. Our audit objective was to determine whether VICARE spent its 2011 HOPWA funds in accordance with HUD requirements and for eligible efforts.

Results of Audit

Finding: HUD Requirements Were Not Followed

VICARE's financial management system did not properly identify the application of more than \$538,000 in HOPWA funds and did not support the eligibility and reasonableness of more than \$143,000 in program disbursements. In addition, VICARE allowed the use of more than \$12,000 for ineligible expenditures. These deficiencies occurred because VICARE disregarded its own policies and procedures and HUD requirements. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes and in accordance with HUD requirements.

Inadequate Accounting Records

VICARE's accounting records did not reflect complete and accurate financial information on HOPWA program activities and did not permit the adequate tracing of program receipts and expenditures. Regulations at 24 CFR (Code of Federal Regulations) 84.21(b) require grantees to maintain financial records that are accurate, current, and complete and that adequately identify the source and application of funds provided for assisted activities. However, VICARE's accounting records did not comply with HUD requirements and were not adequate for the preparation of reports. For example, for the period August 2011 to July 2014, VICARE's accounting records did not reflect the disposition of more than \$346,000 for the HOPWA program. As of October 29, 2014, HUD's system reflected that VICARE had withdrawn more than \$1.3 million in HOPWA funds, but analysis of amounts posted in VICARE's records showed just over \$1 million in expenditures (see table 1).

Table 1

HUD's information system drawn amount	\$1,369,661
VICARE's records' spent amount	1,023,070
Difference	\$346,591

VICARE also provided conflicting information on the total amount of HOPWA funds received. For example, the receipts shown in VICARE's records did not agree with drawn amounts reflected in HUD's information system, and VICARE could not account for \$16,018 in HUD drawdowns (see table 2).

Table 2

HUD's information system drawn amount	\$1,369,661
VICARE's records' receipt amount	1,353,643
Difference	\$16,018

In addition, for the period November 2011 to May 2013, VICARE did not provide supporting documentation showing the disposition and use of eight HOPWA drawdowns totaling \$175,876. Table 3 shows the voucher and date of drawdown deposits and the HOPWA funds for the drawdowns that were not supported.

Table 3

Voucher number	Amount	Date of drawdown deposit
038-019452	\$10,000	Nov. 17, 2011
038-020839	13,864	Sept. 12, 2012
038-020900	13,864	Sept. 26, 2012
038-021129	45,398	Nov. 21, 2012
038-021216	13,864	Dec. 13, 2012
038-021266	54,886	Dec. 24, 2012
038-021729	12,000	Apr. 25, 2013
038-021771	12,000	May 10, 2013
Total	\$175,876	

VICARE did not maintain a financial management system that permitted the tracing of funds to a level that ensured that such funds had not been used in violation of the restrictions and prohibitions of applicable statutes. A similar deficiency was identified in the 2008 independent public accountant report; however, the deficiency continued to exist. The August 2014 HUD monitoring report also identified deficiencies, stating that accurate financial records and documentation to support program costs incurred were not maintained.¹ VICARE officials could not explain discrepancies between its records and HUD’s information system and could not account for \$538,485 drawn. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for eligible purposes.

Unsupported Program Expenditures

Salary costs - VICARE did not provide adequate documentation supporting the reasonableness, allowability, and allocability of \$64,544 charged to the HOPWA program, associated with salaries. It did not track its employees’ time by program activity or implement a cost allocation plan to distribute payroll costs among HUD and other programs. Although VICARE charged the HOPWA program a portion of payroll costs associated with seven employees who performed additional functions not related to the program, it did not maintain documentation to support the basis of the allocation and the reasonableness of the costs as required by 2 CFR 230, appendix B, 8(m). The 2008 independent public accountant report included a similar deficiency; however, the deficiency continued to exist. The executive director informed us that she did not know the basis for the allocations. Therefore, HUD lacked assurance of the reasonableness, allowability, and allocability of \$64,544 in payroll costs charged to the HOPWA program.

¹ HUD did not question any funds as a result of its 2014 monitoring.

Preaward costs - The grant agreement allowed disbursements for expenditures associated with the HOPWA program that were incurred before the effective date of the grant. However, grantees are required to obtain HUD approval before incurring costs. For the months of June and July 2011, VICARE charged the 2011 HOPWA grant \$33,618 in preaward costs, but it did not provide evidence that HUD approved the expenditures incurred before the effective date of the grant, August 1, 2011.

Activity costs - Regulations at 2 CFR 230, appendix A, allow disbursements for reasonable and allowable costs associated with HOPWA-funded activities that are supported with records that enable HUD to determine that HOPWA requirements were met. VICARE did not support the reasonableness and allowability of more than \$45,000 in HOPWA expenditures. For example, it charged the HOPWA program more than \$9,000 for administrative costs but did not provide documentation supporting the reasonableness and allowability of the administrative costs charged to the program. Therefore, HUD lacked assurance of the reasonableness and allowability of \$45,158 in activity costs charged to the HOPWA program. Appendix C contains a list of the unsupported activity expenditures.

Ineligible Expenditures

VICARE charged the HOPWA program \$12,197 for payroll expenditures that were not related to its program. In addition, it disbursed \$250 for ineligible late fees and the purchase of a funeral wreath. Such costs were not necessary or related to the administration of the HOPWA program.

Disregard for Policies, Procedures, and HUD Requirements

VICARE disregarded its own policies and procedures as well as HUD's requirements. Its policies and procedures required the maintenance of current and accurate financial data reflecting the operation and financial condition of the organization. In addition, they required VICARE to record all revenues and expenses and prepare bank reconciliations within 30 days following the end of the month. Regulations at 24 CFR 84.21(b) require grantees to maintain financial records that are accurate, current, and complete and that adequately identify the source and application of funds provided for assisted activities. However, VICARE's accounting records did not comply with its own policies and procedures and HUD requirements. For example, accounting records were not current, did not reflect the disposition of program receipts and expenditures, and charged expenditures not related to the HOPWA program.

In addition, no financial audits of VICARE had been performed since 2008, contrary to 24 CFR 84.26(a). The 2008 independent public accountant report identified deficiencies related to the HOPWA program; however, the deficiencies continued to exist.

- Bank reconciliations were not performed monthly, and when they were performed, they were not reviewed by a supervisor.
- Accounting records did not identify the source and application of funds and failed to properly track program activities.
- VICARE lacked personnel activity reports to track time charged among HUD and other programs.

Conclusion

The deficiencies discussed above occurred because VICARE disregarded its own policies and procedures and HUD's requirements. As a result, HUD had no assurance that more than \$681,000 was adequately accounted for, safeguarded, and used for authorized purposes and in accordance with HUD requirements. In addition, VICARE used more than \$12,000 for ineligible purposes.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development instruct VICARE to

- 1A. Submit all supporting documentation showing the eligibility and propriety of \$538,485 drawn from its treasury account or reimburse the HOPWA program line of credit from non-Federal funds.
- 1B. Submit all supporting documentation showing the eligibility and propriety of \$143,320 in HOPWA expenditures or reimburse the HOPWA program line of credit from non-Federal funds.
- 1C. Reimburse \$12,447 to the HOPWA program line of credit from non-Federal funds for ineligible disbursements that were not related to the program.

Scope and Methodology

The objective of this audit was to determine whether VICARE spent its HOPWA funds in accordance with HUD requirements and for eligible efforts.

To accomplish our objective, we

- Reviewed applicable laws, regulations, and relevant HUD program requirements;
- Interviewed HUD and VICARE officials;
- Obtained an understanding of and reviewed VICARE's controls and procedures as they related to our objective;
- Reviewed the most recent HUD monitoring and independent public accountant reports; and
- Traced information reported in HUD's Line of Credit Control System to VICARE's records.

We performed a limited review of VICARE's financial records, including receipts and disbursed amounts recorded in the general ledger corresponding to program years 2012 through 2014, and reviewed the check register for the period August 1, 2011 through July 31, 2014.

VICARE made 57 withdrawals totaling more than \$1.3 million in HOPWA funds between August 1, 2011, and July 31, 2014. We selected and reviewed the six withdrawals that were greater than \$45,000. We reviewed six additional withdrawals based on the amount of the drawdown.² Twelve withdrawals totaling more than \$393,000 (29 percent) were reviewed to determine whether VICARE spent grant funds in accordance with HUD requirements.

VICARE's records reflected that it spent more than \$308,000³ for payroll costs between August 1, 2011, and July 31, 2014. We selected and reviewed 13 payroll expenditures totaling \$64,544 (21 percent) based on the amount of the expenditure and the personnel included in the payroll. We reviewed the expenditures to determine whether the payments met HOPWA requirements, including allowability and allocability of the costs.

VICARE's general ledger reflected expenditures totaling \$1,023,070. For our review of activity delivery costs, we reviewed 45 disbursements totaling \$35,455 based on the purpose of the

² Three drawdowns in the amount of \$13,864, two in the amount of \$12,000, and one in the amount of \$10,000.

³ These were associated with 799 payroll expenditures.

payment or the vendor name. We reviewed the expenditures to determine whether the payments were supported and made for eligible efforts.

To achieve our audit objective, we relied in part on computer-processed data contained in HUD's information system. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequate for our purposes. We did not rely on computer-processed data contained in VICARE's accounting system, nor were the data used to materially support our audit findings, conclusions, and recommendations. We did not select 100 percent of the items for testing as the selections made provided sufficient evidence for the findings presented. The results of the audit apply only to items selected for review and cannot be projected to the universe or population.

The audit generally covered the period August 1, 2011, through July 31, 2014; however, and we extended the period as needed to accomplish our objectives. We conducted our fieldwork from October 2014 through March 2015 at VICARE offices in Christiansted, USVI.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

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

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Program operations – Policies and procedures that management has implemented to provide reasonable assurance that a program meets its objectives, while considering cost effectiveness and efficiency.
- Relevance and reliability of information – Policies and procedures that management has implemented to reasonably ensure that operational and financial information used for decision making and reporting externally is relevant, reliable, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that program implementation is consistent with laws and regulations.
- Safeguarding of assets – Policies and procedures that management has implemented to reasonably prevent and promptly detect unauthorized acquisition, use, or disposition of assets and resources.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- VICARE's financial management system did not properly identify the application of HOPWA drawdowns, did not support the eligibility and reasonableness of program disbursements, and allowed the use of program funds for ineligible efforts (see finding).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A		\$538,485
1B		143,320
1C	\$12,447	
Totals	\$12,447	\$681,805

- 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 the 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.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



VICARE

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June 8, 2015

Ms. Nikita N. Irons
Regional Inspector General for Audit
US Department of Housing and
Urban Development
75 Spring Street SW, Room 330
Atlanta, Georgia 30303

SUBJECT: HUD Audit of VICARE, Inc. (Virgin Islands Community Aids Resource and Education, Inc.)

Dear Ms. Irons:

I received a copy of the May 14th correspondence to VICARE, Inc. regarding the HUD Audit. I hereby take this opportunity to send you our written response to the report answering the recommendations.

Auditee Comments - VICARE

Comment 1 -

1A. It has been recommended that VICARE submit all documentation showing the eligibility and propriety of \$538,485 drawn from its treasury account or reimburse the HOPWA program line credit from non-federal funds.

VICARE, Inc. will proceed with retrieving all documentation to support the draw downs as submitted to us in the audit report Under Appendix C.

1B. VICARE, Inc. will provide all supporting documentation showing the eligibility and propriety of \$143,320 in HOPWA expenditures or reimburse the HOPWA program line of credit from non Federal Funds.

Comment 1

Comment 1

**Ref to OIG
Evaluation**

Auditee Comments

Comment 1



VICARE

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1c - VICARE, Inc. will prepare itself to make available in non-federal funds ineligible disbursements to the HOPWA program in the amount of \$12,447.00. There presently are no funds to pay this off but we will be working on acquiring funds to make this payment within the next year.

I take this time to thank the team at HOPWA who diligently worked with us and we will continue working to provide all of the needed documentation to fulfill the requirements of the audit.

For any further information please call me at 340-692-9111. 340-643-9888 or email me at sphaire@gmail.com.

Sincerely yours,

Sandra Gerard-Leung
Executive Director - VICARE, Inc.

cc: Mr. Robert Moorhead - Board Chair
Mr. Buston Brown, Accounting Officer - VICARE

OIG Evaluation of Auditee Comments

Comment 1 VICARE management agreed with the OIG finding and recommendations. VICARE stated that it will provide the required supporting documentation for recommendations 1A and 1B, and will reimburse from non-Federal funds the ineligible disbursements related to recommendation 1C.

Appendix C

Schedule of Unsupported Activity Expenditures

Date	Check number	Vendor	Amount	Comment
August 22, 2011	5619	United Healthcare Insurance Co.	\$1,407	No support was provided.
November 23, 2011	5714	United Healthcare Insurance Co.	2,813	No support was provided showing the basis and reasonableness of allocations made to the HOPWA program.
January 24, 2012	5766	United Healthcare Insurance Co.	1,550	No support was provided.
February 22, 2012	5809	United Healthcare Insurance Co.	3,101	No invoice and no support were provided showing the basis and reasonableness of allocations made to the HOPWA program.
March 14, 2012	5841	United Healthcare Insurance Co.	1,643	No support was provided.
April 14, 2012	5879	United Healthcare Insurance Co.	1,643	No invoice and no support were provided showing the basis and reasonableness of allocations made to the HOPWA program.
September 28, 2012	6040	United Healthcare Insurance Co.	1,643	No support was provided.
February 8, 2013	6203	United Healthcare Insurance Co.	26	No support was provided.
March 20, 2012	5820	Francisco E. Depusoir, CPA	5,000	No support was provided showing the basis and reasonableness of allocations made to the HOPWA program, and no canceled check was provided.
October 12, 2012	6094	Francisco E. Depusoir, CPA	150	No support was provided.
August 12, 2011	5613	Carlton L Williams & Associates, Inc.	3,160	No support was provided.
September 2, 2011	5636	Banco Popular	1,127	No support was provided.
September 2, 2011	5636	Banco Popular	446	No support was provided.
November 3, 2011	5702	Pioneer Investments	631	No support was provided.

Date	Check number	Vendor	Amount	Comment
June 7, 2012	5907	Pioneer Investments	514	No support was provided showing the basis and reasonableness of allocations made to the HOPWA program.
August 1, 2011	5532	Water and Power Authority	325	No support was provided.
August 1, 2011	5595	Water and Power Authority	179	No support was provided.
January 17, 2012	5758	Water and Power Authority	240	No support was provided.
January 24, 2012	5769	Water and Power Authority	266	No support was provided.
May 24, 2012	5828	Water and Power Authority	288	No support was provided.
May 25, 2012	5830	Employee A	640	No support was provided.
June 8, 2012	5890	Employee A	640	No support was provided.
August 6, 2012	EFT*	Internal Revenue Service	76	No support was provided showing the basis and reasonableness of allocations made to the HOPWA program.
March 29, 2013	EFT	Internal Revenue Service	436	No support was provided showing the basis and reasonableness of allocations made to the HOPWA program.
November 3, 2011	EFT	Employee B	384	No support was provided
November 3, 2011	EFT	Employee C	354	No support was provided.
Various	EFT	VICARE, Methodist Training and Outreach Center (MTOC) (administrative fees)	9,681	No support was provided
Various	EFT	MTOC (salary adjustments and other administrative costs)	6,795	No support was provided.
		Total	\$45,158	

* EFT=electronic funds transfer