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United States General Accounting Office
Washington, DC 20548

Accounting and Information
Management Division

B-286141

September 15, 2000

The Honorable Kay Bailey Hutchison
Chairwoman, Subcommittee on the District
of Columbia
Committee on Appropriations
United States Senate

Subject: District of Columbia: Source of Funding for Needle Exchange Programs

Dear Madam Chairwoman:

In your July 25, 2000, letter, you asked us to determine whether the funds used for the needle exchange program in the District complied with section 150 (a) and (b) of the Fiscal Year 2000 Appropriations Act for the District of Columbia (P.L. 106-113). Section 150 (a) of the Fiscal Year 2000 Appropriations Act for the District of Columbia prohibits the use of appropriated funds--either local or federal--for needle exchange programs. Furthermore, section 150 (b) of the act requires that any individual or entity that receives District appropriated funds and conducts a needle exchange program account for the private funds used for the program separately from its appropriated dollars. On August 29, 2000, using the slides in the enclosure to this letter, we briefed the Subcommittee staff on the results of our work.

To identify individuals or entities conducting a needle exchange program within the District during fiscal year 2000, we (1) interviewed officials from the Office of the Mayor, the District's Department of Health, the Whitman-Walker Clinic, and Prevention Works, (2) reviewed the sources of funding of needle exchange programs to determine whether any contributors were recipients of fiscal year 2000 District appropriated funds, (3) performed a walk-through of Whitman-Walker Clinic's financial management system to determine whether its system segregates restricted fund activity, and (4) reviewed the independent public accountants' reports for Whitman-Walker Clinic's financial statements and single audit reports for fiscal years 1998 and 1999. We conducted our work in July and August 2000 in accordance with generally accepted government auditing standards. We obtained oral comments on a draft of the slides from the Senior Deputy Director for Substance Abuse Service, District's Department of Health; the Director of Finance, Whitman-Walker Clinic; and the Executive Director, Prevention Works. The officials agreed with the content of the slides.

Results in Brief

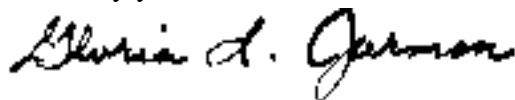
Our work did not identify any noncompliance with the legislative prohibition against using appropriated funds for a needle exchange program in the District during fiscal year 2000. According to District officials, Prevention Works was the only organization that conducted a needle exchange program in the District during fiscal year 2000. A Prevention Works official said that organization received no funding from the District of Columbia for the period October 1999 to August 2000. However, one contributor to Prevention Works-- Whitman-Walker Clinic-- was a recipient of District fiscal year 2000 appropriated funds. Officials from Whitman-Walker Clinic, which conducted the needle exchange program prior to fiscal year 1999, told us that all funds it contributed to Prevention Works were from private contributions.

A walk-through of Whitman-Walker Clinic's financial management system demonstrated that the system has in place internal controls to segregate private funds from District appropriated funds. These safeguards appear to meet the requirements of Section 150 (a) and (b) of the Fiscal Year 2000 Appropriations Act for the District of Columbia. In addition, an independent public accounting firm performed certain procedures on the clinic's financial records in meeting the audit requirements of the Single Audit Act for fiscal years 1998 and 1999. The accounting firm reported no material internal control weakness or material noncompliance with laws, regulations, and contracts or grant provisions.

As agreed with your office, unless you publicly announce the content of this letter earlier, we will not distribute it until 30 days from its date. At that time, we will send copies to Senator George Voinovich, Senator Richard Durbin, Representative Ernest J. Istook, Representative James P. Moran, Representative Thomas M. Davis III, and Representative Eleanor Holmes Norton, in their capacities as Chair or Ranking Minority Member of Senate or House Subcommittees. Copies will be made available to others upon request.

We appreciate the opportunity to be of assistance. If you or your staff have any questions regarding the briefing or this letter, or if we can be of further assistance, please contact me at (202) 512-4476 or Steven Haughton, Assistant Director, at (202) 512-5999. I may also be reached by e-mail at jarmong.aimd@gao.gov. Key contributors to this assignment were Keith Thompson, Louis Fernheimer, LaShawnda Wilson, and Richard Cambosos.

Sincerely yours,



Gloria L. Jarmon
Director, Health, Education and Human Services
Accounting and Financial Management Issues

Enclosure

August 29, 2000, Briefing on the Needle Exchange Program



**ACCOUNTING AND INFORMATION
MANAGEMENT DIVISION**

District of Columbia: Sources of Funds for Needle Exchange Program.

Briefing for the Senate Committee on Appropriations,
Subcommittee on District of Columbia

August 29, 2000



Objectives

- Identify the organizations within the District of Columbia for fiscal year 2000 that are conducting needle exchange programs.
- Determine the sources of funding used for needle exchange programs.
- Evaluate the sources of funding for needle exchange programs to determine if they comply with section 150 (a) and (b) of the fiscal year 2000 Appropriations Act for the District of Columbia (P.L. 106-113).



Scope and Methodology

- Interviewed officials from the Mayor's Office, District of Columbia Department of Health, Whitman-Walker Clinic Inc., and Prevention Works to determine which organizations within the District were conducting needle exchange programs for fiscal year 2000.
- Reviewed the sources of funding of needle exchange programs to determine whether any contributors were recipients of fiscal year 2000 District appropriated funds.
- Performed walk-through of Whitman-Walker Clinic's financial management system to determine whether its system can segregate restricted fund activity.



Scope and Methodology

- Reviewed the independent public accountant's report for Whitman-Walker Clinic's financial statements and single audit report for fiscal years 1998 and 1999, the most recent ones available.
- Conducted our work during July 2000 and August 2000 in accordance with generally accepted government auditing standards.



Background

- Section 150 (a) of the FY 2000 Appropriations Act for the District of Columbia prohibits the use of appropriated funds –either local or federal, for needle exchange programs.
- Section 150 (b) requires that any individual or entity that receives District appropriated funds and conducts a needle exchange program shall account for the use of such funds separately from its appropriated dollars.
- On October 21, 1998, the Whitman-Walker Clinic ceased operating its needle exchange program.



Background

- Prevention Works, a private not-for-profit organization established in October 1998, operates the only needle exchange program in the District of Columbia.



Results in Brief

- According to District officials, one organization, Prevention Works, operates a needle exchange program in the District.
- Prevention Works received no funding from the District of Columbia for the period of October 1999 to August 2000.
- One contributor to Prevention Works, Whitman-Walker Clinic, was a recipient of District fiscal year 2000 appropriation funds.
- Whitman-Walker Clinic told us that all funds contributed to Prevention Works were from private contributions.



Results in Brief

- Whitman-Walker Clinic's financial management system has internal controls in place to segregate private funds from District appropriated funds. These safeguards appear to meet the requirements of Section 150 (a) and (b) of the fiscal year 2000 Appropriations Act for the District of Columbia.
- Independent public accountants reported no material internal control weakness or material noncompliance with laws, regulations, contracts, or grant provisions. The independent public accountant performed certain procedures of Whitman-Walker Clinic's financial records in meeting the audit requirements of the Single Audit Act (OMB Circular A-133).



Prevention Works Needle Exchange Funding

Information on the funding of Prevention Works' needle exchange program.

Table 1: Needle Exchange Program Funding October 1999 to August 2000

Funding source	Funding amount
Private foundations	\$297,000
Angelica Foundation	
Broadway Cares	
Drug Policy Foundation	
Elizabeth Taylor AIDS Foundation	
Public Welfare Foundation	
Scott Opier Foundation	
Tides Foundation	
Washington AIDS Foundation	
North American Syringe Exchange Network	\$1,400
Whitman-Walker Clinic Inc.(a)	\$10,000
Corporate In-Kind Donation (AMES and Target)	\$75
<u>Contributions from Individuals</u>	<u>\$3,245</u>
Total	\$311,720

(a) Recipient of District appropriated funds.



Sources of Funding: Whitman-Walker Clinic

Information on the sources of funding for the Whitman-Walker Clinic

Table 2: Source of Funding October 1999 to June 2000

Funding source	Funding amount
District of Columbia appropriated funds (local)	\$1,423,758
Federal funds (pass-through and grants)	\$6,914,005
Local area jurisdiction funds	\$182,813
Private funds	\$7,699,895
Total	\$16,220,471



Whitman-Walker Clinic

Status of Compliance with section 150 (a) and (b) of the fiscal year 2000 Appropriations Act for the District of Columbia.

- Contribution to Prevention Works (\$10,000) made from private funds.
- Whitman-Walker Clinic's accounting system separately identifies all private funds and federal funds.
 - Revenues are tracked by private funds and federal funds.
 - Expenses are tracked by private funds and federal funds.



Whitman-Walker Clinic

- Whitman-Walker Clinic stated that it rents space to Prevention Works under what it referred to as an arms-length, market-rate lease. Prevention Works pays the Clinic \$1,155 per month for 544 square feet of office space (\$25.50 per square foot).



Whitman-Walker Clinic

Independent Auditor's report of Whitman-Walker Clinic's
Financial Position as of September 30, 1999 and 1998.

- Financial Statement Items
 - Unqualified opinion issued.
 - No reportable conditions reported.
 - No noncompliance issues material to the financial statements.
- Single Audit Items
 - No reportable conditions in internal controls over major programs.
 - Unqualified opinion issued relating to compliance for major programs.
 - No audit findings required to be reported under section 510 (a) of OMB Circular A-133.