New Image Emergency Shelter, Long Beach, CA

Housing Opportunities for Persons With AIDS

Office of Audit, Region 9
Los Angeles, CA

Audit Report Number: 2015-LA-1001
January 30, 2015

To: William Vasquez, Director, Los Angeles Office of Community Planning and Development, 9DD

//SIGNED//

From: Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

Subject: New Image Emergency Shelter, Long Beach, CA, Did Not Adequately Support HOPWA Salary and Operating Expenses

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of New Image Emergency Shelter's Housing Opportunity for Persons With AIDS (HOPWA) 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 213-534-2471.

Audit Report Number: 2015-LA-1001
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New Image Emergency Shelter, Long Beach, CA, Did Not Adequately Support HOPWA Salary and Operating Expenses

Highlights

What We Audited and Why

We audited New Image Emergency Shelter's Housing Opportunities for Persons With AIDS (HOPWA) program based on a referral from the U.S. Department of Housing and Urban Development, Office of Inspector General's (HUD OIG) Office of Investigation and a citizen complaint, alleging that New Image lacked adequate documentation to support program expenditures and employee salaries. Our objective was to determine whether New Image administered and expended HOPWA grant funds in accordance with HUD regulations.

What We Found

Some of the allegations in the complaint had merit. New Image did not adequately support its cost allocations to its HOPWA program activities in accordance with applicable HUD requirements. It was also unable to properly support $183,642 in operating expenditures and lease costs and $82,563 in employee salaries allocated to its HOPWA program activities.

What We Recommend

We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require New Image and the City of Los Angeles Housing and Community Investment Department to provide adequate supporting documentation for (1) the $82,563 in unsupported salary costs and (2) the $183,642 in operating expenditures and lease costs or repay the HOPWA program from non-Federal funds.

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Background and Objective

New Image Emergency Shelter for the Homeless, Inc. was incorporated in 1990 as a California not-for-profit organization. New Image is a tax-exempt organization under section 501C(3) of the Internal Revenue Code. New Image operates exclusively as a charitable organization providing homeless clients in Los Angeles County with a fresh start and the support needed to acquire services through the following programs:

- Comprehensive case management services;
- Emergency food and shelter services;
- Emergency hotel, motel, and restaurant vouchering;
- Job referral and placement assistance; and
- Rental assistance and affordable housing assistance.

The homeless population served by New Image includes individuals, married couples, families with children, HIV-infected persons and their families, and persons with disabilities. The organization is supported primarily through grants from the Los Angeles Homeless Services Authority and the City of Los Angeles Housing and Community Investment Department as well as donor contributions.

<u>HOPWA Program</u>

The Housing Opportunities for Persons With AIDS (HOPWA) program is the only Federal program dedicated to the housing needs of people living with HIV-AIDS. Under the HOPWA program, HUD makes grants to local communities, States, and nonprofit organizations for projects that benefit low-income persons living with HIV-AIDS and their families.

New Image received its HOPWA funds from the City in accordance with a subgrantee agreement. The City was, therefore, responsible for monitoring New Image's activity, drawing down the HOPWA funds, and allocating them to New Image. Program year 2012 was the final year that the City provided HOPWA funds to New Image. The table below summarizes the funding awarded to New Image's HOPWA program throughout our audit period.

Program year	IDIS* number	Grant number	Funding
2010	12753, 12756 & 12757	CAH10F005	$368,718
2011	12753, 12756 &12757	CAH11F005	$569,454
2012	12753, 12756, 12757, 13338, 13339 & 13340	CAH12F005	$184,792
		Total funds	$1,122,964

* IDIS = HUD's Integrated Disbursement and Information System. This system allows grantees to request grant funding from HUD and report on what is accomplished with these funds.

The objective of our audit was to determine whether New Image administered and expended HOPWA grant funds in accordance with HUD regulations.

Results of Audit

Finding 1: New Image Did Not Adequately Support HOPWA Salary and Operating Expenses

New Image did not provide adequate support for employee salary expenses and operating expenses in accordance with applicable HUD requirements under 2 CFR (Code of Federal Regulations) Part 230 (see appendix C). Specifically, New Image did not provide written documentation to adequately support its employee salary allocation and did not provide adequate documentation or properly allocate program operating expenses and lease costs to its HOPWA program. This condition occurred because New Image did not appear sufficiently knowledgeable of HUD requirements, maintain written HOPWA policies, or provide a sufficient basis for the allocations. As a result, $266,205 in program funds was expended for unsupported costs that would have been available for eligible HOPWA program activities.

New Image Did Not Properly Support Its Salary Expenses

New Image did not have a sufficient basis to allocate employee salaries to its HOPWA program. We reviewed a nonstatistical sample of employee timesheets and the cost allocation plan related to salaries for New Image's HOPWA activities for fiscal years 2011 and 2012. New Image could not provide reasonable documentation to support that the charges for indirect employee salaries were for actual time spent on HOPWA activities or in accordance with a reasonable allocation methodology. Although New Image's indirect staff members (executive director, former chief financial officer, human resources director, and accountant) recorded hours attributed to each of its programs on their timesheets, they used predetermined estimates to record their time rather than actual hours worked, as would be required by 2 CFR 230, Appendix B Section 8.m, Compensation for Personal Services.

Since these staff members were indirect, New Image was allowed to allocate the salary costs; however, New Image could not explain how these hourly distributions were determined. It did not have a written methodology supporting how it derived the salary allocation percentages to show they were reasonable as required by 2 CFR Part 230, appendix A. For example, the salary allocation percentage New Image charged to the program for its accountant varied throughout our audit period, from 34.74 percent at the beginning of 2011 to 15 percent by the end of 2012 (see appendix D, table 2). Different allocation percentages were used for other indirect staff members, with no written explanation of how these percentages were derived for their salaries. As a result, New Image charged $82,563 in questionable salary costs to the HOPWA program (see appendix D, table 1).

New Image Lacked Support for Operating and Lease Allocations

New Image's operating expenditures from January 2011 to November 2012 were not adequately supported, as required by 2 CFR Part 230, Appendix A, part D, Allocation of Indirect Costs - 1.b. We reviewed a nonstatistical sample of expenditures and the supporting documentation, which consisted of payments for both the housing-meal and case management portions of the HOPWA contracts. New Image allocated its lease costs and other operating expenditures, such as cell phones, office supplies, and insurance, to different contracts and funding source (for example, the Authority, HOPWA, etc.).

For example, New Image's main office rent for June 2012 totaled $6,180. New Image allocated 50 percent ($3,090) of the cost to the HOPWA housing and meal program. The remaining amount was allocated to its Authority contract (15 percent) and general and administrative expenses (35 percent). Similarly, New Image's intake facility rent for June 2012 allocated 15 percent ($3,623) of the cost to the HOPWA case management program. The remaining amount was allocated to its Authority contract (85 percent). Overall, the combined lease cost allocated to HOPWA for the month was 22 percent (see appendix D, table 4).

Also, New Image used different allocation rates for various office supply vendors in 2011 and 2012. For instance, it applied a rate of 12 percent for Office Max, 30 percent for Staples, and 20 percent for Xerox.

However, New Image did not provide a written explanation or basis for its allocation of these costs to the HOPWA program to show that the allocations were reasonable. As a result, the operating and lease costs totaling $183,642, which New Image charged to the HOPWA program and were approved by the City between January 2011 and November 2012, were unsupported (see appendix D, table 3).

Conclusion

New Image did not adequately support its cost allocations to its HOPWA program activities in accordance with applicable HUD requirements. This condition occurred because New Image did not appear sufficiently knowledgeable of HUD requirements or maintain adequate written policies and procedures for salary and operating expenditure allocations. As a result, $266,205 in program costs ($82,563 + $183,642) was expended for unsupported costs that would have been available for eligible HOPWA program activity. Since the City terminated its HOPWA contract with New Image in November 2012, we excluded a recommendation to develop sufficient allocation policies and procedures for the HOPWA program.

Recommendations

We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require New Image and the City of Los Angeles Housing and Community Investment Department to

1A. Provide adequate supporting documentation for the $82,563 in unsupported salary costs or repay the HOPWA program from non-Federal funds.

1B. Provide adequate supporting documentation for the $183,642 in unsupported operating expenses and lease costs or repay the HOPWA program from non-Federal funds.

Scope and Methodology

We performed our onsite audit work at the City of Los Angeles Housing and Community Investment Department in Los Angeles, CA, and New Image's main office in Long Beach, CA, from May 16 to November 12, 2014. Our review generally covered the period January 1, 2011, to November 30, 2012, and was expanded as necessary.

To accomplish our objective, we performed the following:

- Interviewed pertinent New Image employees, City personnel, and HUD Office of Community Planning and Development staff involved with the administration of the HOPWA program;
- Reviewed New Image's payroll registers and related timesheets;
- Reviewed New Image's cash requests and supporting documentation for HOPWA expenditures;
- Reviewed Integrated Disbursement and Information System performance reports provided by HUD;
- Reviewed relevant financial and accounting procedures and records;
- Reviewed New Image's organizational charts;
- Reviewed New Image's audited financial statement for fiscal year 2011; and
- Reviewed applicable HOPWA regulations, including CFR requirements.

We tested New Image's salaries and benefits for management and administration staff to determine whether they were properly charged to the HOPWA program. New Image billed a total of $82,563 in salaries and benefits to the HOPWA program. We nonstatistically sampled 6 months of management and administration salaries and benefits that were billed to the City in 2011 (March, April, May, August, November, and December) and 8 months of salaries and benefits in 2012 (January, February, March, April, May June, August, and October). The total salaries and benefits sampled for fiscal year 2011 amounted to $21,053 and for fiscal year 2012 amounted to $33,642, for a total of $54,695 ($21,053 + $33,642) in salaries and benefits tested. In total, we nonstatistically sampled 66 percent ($54,695 / $82,563) of the salaries for management and administrative staff.

Also, the total amount of HOPWA funds awarded to New Image for operating expenditures and lease costs for fiscal years 2012 and 2011 were $64,068 and $119,574, respectively, or $183,642 ($64,068 + $119,574) in total operating expenditures. To determine whether the total operating expenditures were eligible and adequately supported, we tested a nonstatistical sample of months (June 2012 and April, July, and August 2011) and reviewed the supporting documentation for operating expenses and lease costs. The percentage of expenditures sampled amounted to 19 percent ($12,315 / $64,068) for fiscal year 2012 and 24 percent ($28,547 / $119,574) for fiscal year 2011, or $40,862 ($12,315 + $28,547) of the expenditures tested. In total, we sampled 22 percent ($40,862 / $183,642) of the total population of HOPWA operating expenditures and lease costs.

We found that data contained in source documentation provided by New Image related to and agreed with data contained in the City's automated system reports and to HUD's Integrated Disbursement and Information System data. We, therefore, assessed the data to be sufficiently reliable for our use during the audit.

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 objectives:

- Reliability of financial information – Policies and procedures that management has implemented to reasonably ensure that relevant and reliable information is obtained to adequately support program expenditures.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that program charges are supported and comply with program funding guidelines and restrictions.

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:

- New Image did not maintain sufficient policies and procedures to ensure that costs allocated to the HOPWA program were adequately supported and in accordance with HUD requirements (finding).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Unsupported 1/
1A	$82,563
1B	$183,642
Totals	**$266,205**

1/ 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**

New Image Emergency Shelter
for the Homeless, Inc.

January 8, 2015

Ms. Tanya E. Schulze, Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
611 W. 6th Street, Suite 1160
Los Angeles, CA 90017

RE: New Image Emergency Shelter – HOPWA Program (Housing Opportunities for Persons with AIDS)

Dear Ms. Schulze,

Comment 1

Thank you for the opportunity to provide clarity and supporting documentation for the one (1) finding resulting from the OIG audit. We understand that the OIG audit simply identified *unsupported* costs, and not necessarily disallowed costs; and we are confident that we will be able to provide supporting documentation for a great majority of the itemized operating and salary expenses in question. In fact, without having the time or opportunity to yet focus individually on selected items in OIG's finding, we notice at first glance that there are some costs that have already been disallowed or that was supported in detail for the funding agency, HCIDLA. Again, we realize that this audit only required a sampling and all of the supportive documentation may not have been accessible or requested during your audit review. Due to the one week time allowance and approaching holidays, we will not, at this time endeavor to support each and every cost identified in your report. We appreciate the fact that we will have ample time to do that with the HUD Office of Community Planning and Development once your report is finalized.

Comment 2

Comment 3

We understand that the primary issue in charting this finding was due to our lack of a substantiated Cost Allocation Plan (CAP) that was aligned with HUD standards, up until we revamped the CAP methodology in July of 2012. New Image has done a great deal of work since the beginning of 2012 to strengthen our infrastructure to ensure it was categorically aligned with HUD and OMB requirements; and we are confident that we can go back and provide adequate support for the CAP that was in place at that time. While our CAP, during the audit period, lacked a solid foundation for the auxiliary methodology, it was based on the operations at that time and we look forward to the opportunity to work with HUD's Los Angeles Office of Community Planning and Development to substantiate the applicable charges and appropriate the allocations based on the space, resources, and personnel that were assigned to the HOPWA programs during that time period.

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Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation | **Auditee Comments**

Comment 4

We also realize that OIG only received one of many CAP worksheets; as is normally the case in an audit when the reviewers take a 'sampling'. If you were to literally audit each invoice to HOPWA/HCIDLA you would have to go through each individual monthly CAP because during the time period in question, they were of course different for each month. This was a time when we were downsizing, programs were being closed down, and staff were being laid off, which drastically changed the direct allocations and indirect calculations from month to month. Ours is a very complicated CAP with copious amounts of funding sources, different site locations, and program budget formats. Not unlike many nonprofits, we have a hard time understanding some of the HUD and OMB regulations and it is oftentimes an arduous process to set up systems that will keep us from unknowingly making egregious errors in accounting. Therefore, we have engaged a consultant, since 2013, that has helped our agency stay in compliance and set up an infrastructure that supports GAAP principles and OMB Circulars.

Comment 5

The OIG team has been very gracious and pleasant to work with throughout this process, and we are very grateful for that. They made what could have been a difficult situation, tolerable. The most disconcerting part of this process is that New Image Emergency Shelter held the HOPWA contracts for 19 years prior to this 'citizen complaint' being received and was subject to numerous audits, monitoring visits, invoice reviews, disallowed costs, and the like, for years before this issue of an unsubstantiated Cost Allocation Plan was brought to our attention. Each year when we signed a contract with HCIDLA, our CAP was in place but never requested by HCIDLA; invoices were submitted and approved; contracts were renewed and independent audits were performed with no significant findings from the prior year and in fact, HCIDLA allowed/requested New Image to extend our program period for almost 9 months without a contract while they worked out federal budget delays. This was always the case with new contracts – for 19 years contracts were not signed until well into the program year, and we were asked to perform services without a contract or funding. New Image faithfully provided excellent and even exemplary services to our mutual vulnerable homeless clients living with HIV/AIDS, and suffered a great deal of cash flow challenges in the process. Nonetheless, these services were provided, monitoring visits were conducted, audits were completed; and a cost allocation plan was in place.

Like many nonprofits, New Image executive staff struggle with proficiency when it comes to the fine print, and numerous complex requirements that are associated with receiving HUD funding. We realize that is no justification for not having an adequate CAP and unawareness is no excuse for not obeying the rules of engagement. But, because the HUD/OMB regulations are so complex, it is unfortunate that many of the City and County funding agencies do not provide technical support to subcontractors before these issues become lingering and result in likely repayment.

Thank you again for helping us understand this process and working with us to ensure accountability, integrity and transparency in our operations. We thank you for the opportunity to show there was no evidence of fraud and that there is honor in our operations and accounting practices. We are certain we can achieve a prompt resolution with HUD in 2015 and we wish you a prosperous and Happy New Year.

Warmest regards,

Brenda Wilson
Executive Director
New Image Emergency Shelter for the Homeless

cc: Board of Directors
Lynda Moran, Deputy Director
Federico Castillo, Consulting CFO
Kim Mays, In-House Accountant

OIG Evaluation of Auditee Comments

Comment 1: We acknowledge that the City did disallow some costs that were submitted by New Image, and this was taken into account in OIG's unsupported questioned cost amount. However, subsequent to the exit conference, the City provided a spreadsheet listing additional amounts. The City claimed that $1,983 of the cumulative administrative salary costs questioned by the OIG had not actually been reimbursed to New Image. However, there was no further information or documents provided to support this assertion. As a result, we did not adjust the questioned costs in the report. This issue can be further addressed during the audit resolution process.

Comment 2: The OIG requested all relevant documentation pertaining to the sample items tested, and the OIG reviewed the documentation provided by New Image during the course of audit field work. The amount of unsupported questioned costs resonated from the lack of a reasonable allocation plan or basis to justify disbursement for expenditures.

The OIG provided the draft report to New Image on December 15, 2014 and provided New Image an extension to provide its response to the report due to the holidays, so it had nearly a month to review the report and provide its written response by January 12, 2015. As explained at the exit conference, New Image will have further opportunity to resolve the questioned costs with HUD after the report is issued.

Comment 3: The OIG took New Image's July 2012 allocation plan into account during our audit testing. However, this plan was not in place during our audit scope. New Image will have further opportunity to resolve the questioned costs with HUD after the report is issued.

Comment 4: Although there were changes in staffing and funding levels, a reasonable basis for expense allocations should be in place and documented to support costs attributed to the program. There was no allocation plan or reasonable basis in effect during the audit scope. We acknowledge that New Image has since engaged a consultant to help improve its procedures and controls.

Comment 5: Whether or not the matter had previously been brought to New Image's attention, it was still required to maintain support showing the reasonableness of its cost allocations.

Appendix C

Criteria

The following sections of 2 CFR Part 230, Cost Principles for Non-Profit Organizations, and 2 CFR Part 230, Compensation for Personal Services, were relevant to our audit of New Image's HOPWA program.

2 CFR Part 230, Appendix A – C. Indirect Costs

1. "…After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost of any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost."
2. "…it is not possible to specify the types of cost which may be classified as indirect cost in all situations. However, typical examples of indirect cost for many non-profit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting."

2 CFR Part 230, Appendix A – D. Allocation of Indirect Costs - 1.b.

"Where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rates."

2 CFR Part 230 Appendix B, Section 8. Compensation for Personal Services, m. Support of salaries and wages

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will 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.

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or

more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must 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 first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

(3) Charges for the salaries and wages of nonprofessional employees, in addition to the supporting documentation described in subparagraphs (1) and (2), must also be supported by records indicating the total number of hours worked each day maintained in conformance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR Part 516). For this purpose, the term “nonprofessional employee” shall have the same meaning as “nonexempt employee,” under FLSA.

Appendix D

Summary of Questioned Costs Tables

Table 1

Administration salaries cost	2011	2012	Total
Program director	$ 23,510	$ 16,174	$ 39,684
Fringe benefits	$ 719	$ 0	$ 719
Chief financial officer	$ 534	$ 6,497	$ 7,031
Fringe benefits	$ 1,384	$ 0	$ 1,384
Human resources director	$ 195	$ 5,797	$ 5,992
Fringe benefits	$ 441	$ 0	$ 441
Accountant	$ 12,540	$ 8,422	$ 20,962
Fringe benefits	$ 1,430	$ 1,225	$ 2,655
Accounting assistant	$ 0	$ 189	$ 189
Fringe benefits	$ 756	$ 2,750	$ 3,506
Total unsupported salary costs			**$ 82,563**

Table 2

Administration cost allocation percentages				
	2011		2012	
Months:	January to August	October to December	January to March	April to November
Program director	12.66%	21.88%	21.88%	8.00%
Fringe benefits	12.66%			5.00%
Chief financial officer		9.38%	9.38%	8.00%
Human resources director		9.38%	9.38%	15.00%
Accountant	34.74%	21.88%	21.88%	15.00%
Fringe benefits	24.04%		15.13%	
Accounting assistant				15.00%
Fringe benefits	10.70			33.00%

Table 3

Operating expenses	2011	2012	Total
Lease costs – account 4000	$ 90,564	$ 48,280	$ 138,844
Other operating expenses- account 5000*	$ 29,010	$ 15,788	$ 44,798
Total unsupported questioned costs	**$ 119,574**	**$ 64,068**	**$ 183,642**

* Other operating includes allocations of office supplies, computer supplies, insurance, and telephones.

Table 4

Operating expense allocation percentages						
	2011				**2012**	
	Jan. to Mar.	**Apr. to June**	**July to Sept.**	**Oct. to Dec.**	**Jan. to Mar.**	**Apr to June**
Lease costs*	23%	25%	24%	28%	28%	22%
Operating expenses	**2011**				**2012**	
Office supplies – Office Max	12%				12%	
Office supplies – Staples	30%				30%	
Office supplies – Xerox	20%				20%	
Insurance – Philadelphia Ins.	12.5%				12.5%	
Phone – AT&T	50%				50%	
Phone – Verizon #961106247	50%				50%	
Phone – Verizon #960854727	50%				50%	

* Represents the combined average allocation percentage rate between the monthly HOPWA housing and meals program and case management program lease costs.