

HIGHER GROUND OUTREACH, INC.

PERFORMANCE AUDIT
AUGUST 1, 2023 - FEBRUARY 29, 2024



**State of Delaware
Office of Auditor of Accounts**

**Lydia E. York
State Auditor**

Ms. April Morehouse
Vice President
Higher Ground Outreach, Inc.
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Georgetown, DE 19947

January 28, 2025

The attached report provides the results of our performance audit of Higher Ground Outreach, Inc., with respect to the Prescription Opioid Settlement grant program in accordance with the criteria set forth in Delaware Code, the grant application and grant agreement.

We conducted this performance audit in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the information and use of Higher Ground Outreach, Inc., the Prescription Opioid Settlement Distribution Commission (the 'Commission', POSDC) and the Office of Auditor of Accounts. Under 29 Del. C. §10002(o), this report is a matter of public record, and its distribution is not limited. This report, as required by statute, will be provided to the Office of the Governor, General Assembly, Office of the Controller General, Office of the Attorney General, and Office of the Management and Budget.

This report can be accessed online through the State Auditor's website at <https://auditor.delaware.gov/>

A handwritten signature in blue ink that reads "Lydia E. York".

Lydia E. York
Auditor of Accounts
Dover, Delaware

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Abbreviations:

AOA	Delaware Office of Auditor of Accounts
BHC	Behavioral Health Consortium
DHR	Department of Human Resources
FSF	First State Financials
GAGAS	Generally Accepted Government Auditing Standards
LGC	Local Government Committee
NARR	National Association of Recovery Residences
ODU	Opioid Use Disorder
POSDC	Prescription Opioid Settlement Distribution Commission
RFI	Request for Information
SUD	Substance Use Disorder

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Audit Objectives

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The objectives established for the performance audit of Higher Ground Outreach Inc. were to:

1. Determine whether grant expenditures were consistent and in compliance with Phase 1A of the signed grant agreement, (known as the ‘Opioid Abatement and Remediation Grant’).
2. Determine whether grant expenditures had a demonstrable direct correlation with the related performance measures, scope of work and grant budget as noted in the grant application and signed grant agreement.
3. Determine whether grant expenditures were in compliance with allowable costs and permitted uses of grant funds and that grant reporting deliverables have been met.

Audit Scope

We were engaged to perform this performance audit and conducted our engagement in accordance with the standards applicable to performance audits contained in Government Auditing Standards issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

The period covered by the Performance Audit was August 1, 2023, through February 29, 2024. We sampled and examined transactions from the populations of expenditures and receipts of grant funds for the period from August 1, 2023, through February 29, 2024. In sampling these transactions, we relied on documentation provided by the Organization, the Delaware Department of Justice, the POSDC (‘the Commission’) and the State of Delaware’s financial accounting system (FSF).

Findings

The performance audit conducted on Higher Ground Outreach Inc. contained two findings that were identified during the engagement. Higher Ground Outreach Inc. did not meet its first and second quarter deliverables due to a lack of documentation demonstrating the metrics used to evaluate its program. Also, Higher Ground Outreach Inc.’s grant expenditures did not have a demonstrable direct correlation with the related performance measures, scope of work and grant budget as noted in the grant application and signed grant agreement. Refer to *Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

Conclusions

Based on the work performed in connection with this performance audit, we concluded the following:

1. That grant expenditures were not consistent and in compliance with Phase 1A of the signed grant agreement, (known as the ‘Opioid Abatement and Remediation Grant’).

2. That grant expenditures did not have a demonstrable direct correlation with the related performance measures, scope of work and grant budget as noted in the grant application and signed grant agreement.
3. Expenditures were not in compliance with allowable costs and permitted uses of grant funds and that grant reporting deliverables were not met.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are referred to as Generally Accepted Government Auditing Standards (GAGAS).

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Government programs are subject to many provisions of laws, regulations, contracts, and grant agreements. Auditors identify any provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives and assess the risk that noncompliance with provisions of laws, regulations, contracts, and grant agreements could occur. Based on that risk assessment, we have designed and performed procedures to obtain reasonable assurance of detecting instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives.

We conducted this performance audit in accordance with the GAGAS applicable to performance audits issued by the Comptroller General of the United States. These standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We are required to be independent of the granting and recipient organizations to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to this performance audit engagement. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Authority

AOA is authorized under 29 Del. C, § 2906(a) to conduct audits of all the financial transactions of all state agencies. 16 Del. C. § 5196B authorizes the Behavioral Health Consortium to distribute money in the Prescription Opioid Settlement Fund and the Prescription Opioid Impact Fund based on the recommendations of the Prescription Opioid Settlement Distribution Commission by awarding grants. In addition, in accordance with the signed grant agreement “Any entity that applies for and receives (“Recipient”) a grant award or other disbursement of Opioid Funds expressly acknowledges that it is receiving restricted State funds from the Prescription Opioid Impact Fund (the “Impact Fund”) established under 16 Del. C. § 4803B and/or the Prescription Opioid Settlement Fund (the “Settlement Fund,” and together with the Impact Fund, the “Opioid Funds”) established under 16 Del. C. § 4808B.”

AOA has selected for audit certain grant recipients based on various risk factors. These risk factors include, but are not limited to, constituent referrals, materiality-based selection and random selection. This report has been prepared as part of this performance audit project.

Program Overview

Pharmaceutical manufacturers and distributors have reached a settlement agreement with the State of Delaware, along with a broad coalition of States, to resolve legal claims. The agreements provide for approximately \$50 billion in payments over 18 years to be disbursed to all participating States. Funding will be distributed to States according to the allocation agreements reached among each State's Attorney's General. The State of Delaware is expected to receive approximately \$250 million over 18 years. Distribution within Delaware began during the 3rd quarter of 2023 and is administered by the Delaware Behavioral Health Consortium. The distributions are to be used to support a wide variety of strategies to fight the opioid crisis.

On October 14, 2021, Senate Bill 166 was signed into law and created the Prescription Opioid Settlement Distribution Commission (the "Commission", POSDC) and vested it with the responsibility for:

- (a) establishing a coordinated and consensus driven effort to repair the harm done to communities in Delaware by the opioid crisis and
- (b) making recommendations to the Behavioral Health Consortium (the "BHC") regarding the distribution of money in the Prescription Opioid Impact Fund (the "Impact Fund") established under 16 Del. C. § 4803B and the Prescription Opioid Settlement Fund (the "Settlement Fund") established under 16 Del. C. § 4808B.

The Delaware Prescription Opioid Settlement Commission (POSDC) is a subcommittee of the Behavioral Health Consortium (BHC) and is charged with providing funding recommendations to the BHC to abate and remediate the Delaware opioid crisis.

The work of the POSDC is supported by its co-chairs and six standing committees:

1. Behavioral Health Resources Committee
2. Budget and Reporting Committee
3. Equity Committee
4. Governance Committee
5. Local Governments Committee
6. Public Outreach and Community Input Committee

The purpose of the POSDC is to abate and remediate the opioid epidemic throughout the State of Delaware through financial support from the Fund in the form of grant awards for efforts to treat, prevent, and reduce opioid use disorder and the misuse of opioids.

Pursuant to the above noted legislation and 16 Del. C. § 5196A, the General Assembly created a Local Government Committee (the “LGC”), which has statutory authority to make recommendations to the Commission regarding the distribution of money from the Impact Fund and the Settlement Fund. The Commission, with the recommendation of the LGC, approved grants to 78 non-profit and governmental organizations in 2 phases, totaling \$13,006,135 (Phase 1A: \$3,656,039 & Phase 1B:\$9,350,096).

The Impact Fund and each respective grant award was meant to increase access to treatment, reduce unmet treatment needs and reduce opioid overdose related deaths by providing prevention, treatment, and recovery activities for ‘Opioid Use Disorder’ (OUD), including prescription opioids and illicit drugs such as heroin.

Grant Agreement – This Performance Audit is prescribed by the ‘Mandatory Terms and Conditions for the Prescription Opioid Impact Fee Fund and Prescription Opioid Settlement Fund’ grant agreement.

Organization Background

Higher Ground Outreach, Inc. (the Organization), under its Higher Ground House Program, operates a homeless person day program out of a rented building in Georgetown, Delaware. Higher Ground Outreach, Inc. provides meals, clothing, shelter during daytime hours, and access to transportation services to homeless persons affected by substance use disorder (SUD) and Opioid Use Disorder (OUD). Higher Ground Outreach, Inc. is registered as a 501(c)(3) non-profit organization founded in January 2022 to provide services to homeless and addicted persons in the greater Georgetown Delaware area. Higher Ground had no employees during the audit period and relies on volunteers to perform daily operations. Its Board of Directors consists of three individuals with experience in recovery. The organization relies on donations of food, clothing and cash to provide services to their clients.

The original grant agreement details that Higher Ground Outreach, Inc. was allocated \$80,000 of Opioid Grant funds to spend in accordance with the Opioid Abatement program. As of the scope of our audit, February 28, 2024, the organization had received \$40,000 of its allocated funds. These funds were programmed to be spent to expand Higher Ground Outreach Inc.’s *Higher Ground House* program to provide to persons with OUD and SUD with “wrap around” services including meals, shelter during daylight hours, peer support groups, harm reduction services, education & awareness events, transportation services and training in the use of Naloxone.

Audit Methodology and Results

To address the audit objectives of this performance audit, we performed the following procedures:

- A. Planning Phase: The audit relied on various sources of information and methods to properly plan the audit and to obtain an understanding of, and assess processes for the Organization, including the following:
 - 1. We reviewed the applicable sections of the Federal Prescription Opioid Settlement Distribution legislation to gain an understanding of the legal and policy requirements governing the ‘Prescription Opioid Settlement Distribution’ grants.

2. We inquired whether there were any previous audits that relate to the objectives of this audit and whether there were findings and recommendations and whether any recommendations have been implemented.
3. We inquired if there were written board minutes for the Organization.
4. We identified and reviewed contracts, agreements, and other important documents.
5. We performed risk assessment procedures such as:
 - a. Obtained and documented an understanding of the Organization and its environment and identified risks.
 - b. Completed engagement team discussions, including discussions about the possibility of error or fraud involving opioid grant funds.
 - c. Made inquiries of management and others about risks (including fraud risks, related-party transactions, unusual transactions, and compliance with laws, regulations, contracts, and grant agreements).
 - d. Inquired as to the existence of the Organization’s internal control system over grant fund receipts and expenditures.

B. Performance Assessment: Based on the information gathered, we developed the following risk-based approach of the grant funds with respect to the audit objectives.

1. To determine the compliance of the grant disbursements, we sampled and tested transactions from the population of expenditures from opioid grant funds to determine that the transactions were properly documented, authorized, and properly recorded; that products and services were received; and that the transactions complied with opioid grant requirements.
2. We sampled and tested transactions from a population of grant disbursements to determine whether the disbursements were consistent and in compliance with Phase 1 of the Prescription Opioid Impact Fee Settlement Fund.
3. We sampled and tested transactions from a population of grant disbursements to determine whether the disbursements had a demonstrable direct correlation with the expected performance measures, scope of work, and grant agreement and budget.
4. We compared the grant application and grant agreement to the grant disbursements and reported results to assess whether the grant deliverables had been met with respect to the grant agreement.

Objective 1

Determine whether grant expenditures were consistent and in compliance with Phase 1A of the signed grant agreement, (known as the ‘Opioid Abatement and Remediation Grant’).

Methodology - To assess the Organization’s compliance over opioid grant expenditures, we selected a random sample of 30 disbursement transactions that were charged to the grant.

Results – We found that 23 of 30 grant expenditures (77%) of opioid grant funds tested were not consistent and in compliance with Phase 1A of the signed grant agreement. The total dollar amount of the 30 items sampled was \$ 41,205 of which \$ 4,563 (11%) was spent on items included in the grant budget, and \$ 36,642 (89%) was for items not included in the grant budget. Although the 23 expenditures were within the scope of work documented in the By-Laws of the Organization, the 23 of 30 expenditures tested of opioid grant funds were in not accordance with the grant requirements and grant budget during the period from August 1, 2023, through February 29, 2024. The 23 grant expenditure exceptions were for overhead expenses of the Higher Ground Outreach, Inc., and not directly related to the grant agreement. See Findings Number 1 and Number 2 in *The Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

We analyzed the total grant expenditures and found that 8 percent related to program expenses, 45 percent related to building rent and maintenance, 22 percent related to automobile expenses and 25 percent related to administrative expenses.

Objective 2

Determine whether grant expenditures had a demonstrable direct correlation with the related performance measures, scope of work, and grant budget as noted in the grant application and signed grant agreement.

Methodology - To determine if each of the 30 grant expenditures selected for testing had a demonstrable direct correlation with the performance measures and scope of work, we reconciled each disbursement to the opioid abatement program and budget and reviewed supporting documentation for the disbursement. We also compared the purpose of the disbursement to the performance measures and scope of work of the grant agreement. We compared the purpose of the expenditure to the budget categories to determine if the expenditure fit into one of the budget categories.

Results – We found that 7 of the 30 grant expenditures were directly correlated to the opioid abatement program as established by the ‘Opioid Abatement and Remediation’ grant agreement. The remaining 23 grant expenditures had only an indirect correlation to the grant and did not have a direct correlation with the related performance measures, scope of work, and grant budget as noted in the grant application and signed grant agreement. See Findings Number 1 and Number 2 in *The Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

Objective 3

Determine whether grant expenditures were in compliance with allowable costs and permitted uses of grant funds and that grant reporting deliverables have been met.

Methodology - To determine if each of the 30 tested disbursements were in compliance with allowable costs and permitted uses of the Opioid Abatement and Remediation’ grant agreement and whether reporting deliverables were met, we compared the signed grant agreement, grant application and each of the periodic status update reports (prepared for the Commission) to each grant disbursement to determine if each disbursement was relevant and consistent with Opioid

Abatement grant legislation and guidance and that each status report appeared reasonable considering the amount and nature of each expenditure.

Results – Based on our audit procedures, we determined that all of the disbursements tested were supported by sufficient documentation, but only 7 were in compliance with allowable costs and permitted uses of grant funds and that ‘reporting deliverables’ were not met in accordance with the Organization’s grant agreement. We were unable to determine the accuracy of the monthly status reports because no supporting written documentation was available for us to review. Therefore, we could not determine the accuracy of the monthly reports. See Findings Number 1 and Number 2 in *The Schedule of Findings and Recommendations* for details of the deficiencies identified and related recommendations.

SCHEDULE OF FINDINGS AND RECOMMMENTATIONS

There were findings identified as a result of this performance audit of Higher Ground Outreach, Inc.

Finding #1: Supporting Documentation for Measuring Grant Deliverables was not Available to Review.

Criteria: State of Delaware; Office of the Lieutenant Governor; Agreement Governing Distributions of Prescription Opioid Impact Fee Funds and Prescription Opioid Settlement Funds, Audit and Inspection Provision 2(a) and 2(b).

Condition: Higher Ground Outreach, Inc. has not maintained documentation for the following deliverables:

- Providing services to at least 10 participants per cohort, including the administration of individualized service plans.
- Attend/host at least one educational event per quarter.
- Attend/host at least one outreach event per quarter.
- 50% of participants/clients trained to provide naloxone, document the number of participants trained.
- Referrals to any needed substance use treatment services, also including transportation, housing, food, childcare, job training and other professional behavioral health services, including documenting the number of referrals given and the number of participants who were referred services.
- Production of evidence-based Opioid prevention marketing campaign materials.
- Hosting small peer groups opioid use issues.
- Providing access transportation for medical appointments and job interviews/work.
- Recording of food, clothing and supplies donated to the organization.

Cause: Higher Ground Outreach, Inc. does not have internal controls and procedures necessary to maintain proper documentation to support grant deliverables. The focus on immediate service delivery and program implementation overshadowed the importance of maintaining thorough documentation.

Effect: Due to the lack of documentation, Higher Ground Outreach, Inc. was unable to verify the services provided and reported under the Opioid Abatement and Remediation Grant. This non-compliance with Provisions 2(a) and 2(b) of the Grant Agreement has resulted in:

- An inability to measure outcomes. Without proper documentation, it is impossible to obtain accurate metrics to evaluate the effectiveness and impact of the program.
- Uncertainty of Program Success: The success and efficacy of the wrap-around services provided by Higher Ground Outreach, Inc. cannot be determined, potentially undermining stakeholder confidence.
- Risk of Funding Issues: Non-compliance with grant requirements may jeopardize current and future funding opportunities, affecting the organization's ability to sustain and expand its services.
- Accountability Concerns: The absence of documentation raises concerns about accountability and transparency, which are critical for maintaining trust with funders, partners, and the community.

Recommendation: Higher Ground Outreach, Inc. should:

- Develop internal policies and procedures to ensure that documentation supporting program deliverables is maintained.
- Develop and follow standardized procedures for documenting all activities and deliverables, including receipt, inventory, and distribution of naloxone, training records, events attendance, referrals, transportation logs and donations.
- Utilize technology solutions, such as a centralized database or documentation management system, to streamline the documentation process and ensure records are easily accessible and securely stored.
- Conduct regular internal reviews of documentation practices to ensure compliance with grant requirements and identify areas for improvement.
- Establish oversight mechanisms, such as periodic management reviews and performance metrics, to monitor documentation practices and ensure continuous compliance.

Management's Response to Finding #1

AOA received the below response from April Morehouse to Finding #1 via email with documents attached:

A-I: While working with our Opioid Program Grant Monitor, Brad Owens, from the Delaware LT. Governor's Office, he noted and recognized that the program's SOW created by POSDC was not in total alignment with what services Higher Ground Outreach Inc (HGO) actually provides. (*See Brad Owens email attached.*) The reporting mechanism supplied by the POSDC is a software program called (SalesForce, Sandbox). This software measures outcomes from a client per cohort basis. When we questioned Mr. Owens as to how that would relate to HGO deliverables. He said he didn't like that word (cohort) and we would not be using it as a form of measurement. Based on numerous discussions, conversations, emails etc. Mr. Owens developed a spreadsheet (*attached*) to report our deliverables as a more detailed description of

our Metrics/Measures of Success monthly which we continue to use in addition to the online reporting portal monthly.

*B-C: The monthly reporting online software (Salesforce/Sandbox) did not allow for the reporting of quarterly events. This information was included on the monthly spreadsheet we were advised to utilize.

D- In our signed contract under Metrics/Measures of Success it is only required to “Document number of participants trained”. This number was recorded monthly in the online reporting software.

E- As an evidence based harm reduction drop in center our metric of success are not the same as a typical SUD/ODD facility that is referral based. In our county (Sussex) many services and referrals are by word of mouth and phone calls alone. To our knowledge there are no inter agency/outreach referral forms in existence required for referring participants to housing, food, transportation, job training, substance use treatment etc.

We have developed a self referring form for participants to complete within Google Docs/Sheets for transportation services.

*F- ” Production of evidence-based Opioid prevention marketing campaign materials”. Due to the high cost of production of these materials HGO has elected to utilize opioid prevention campaign materials inside and out provided to us by other organizations (Brandywine, BRIDGE Clinic, posters on coping skills and how to manage anger etc). Also signage exists outside of our building indicating this is a NARCAN training facility. Please note, this deliverable is not within our scope of work.

*G- Based on the size of our facility, we have elected to facilitate opioid use peer support services on a daily, individual, and /or as needed basis within a smaller group (under 4) setting.

*H-We do supply daily as needed transportation for medical appointments, job interviews, probation appointments, court, social services and other city, county, and state agencies.

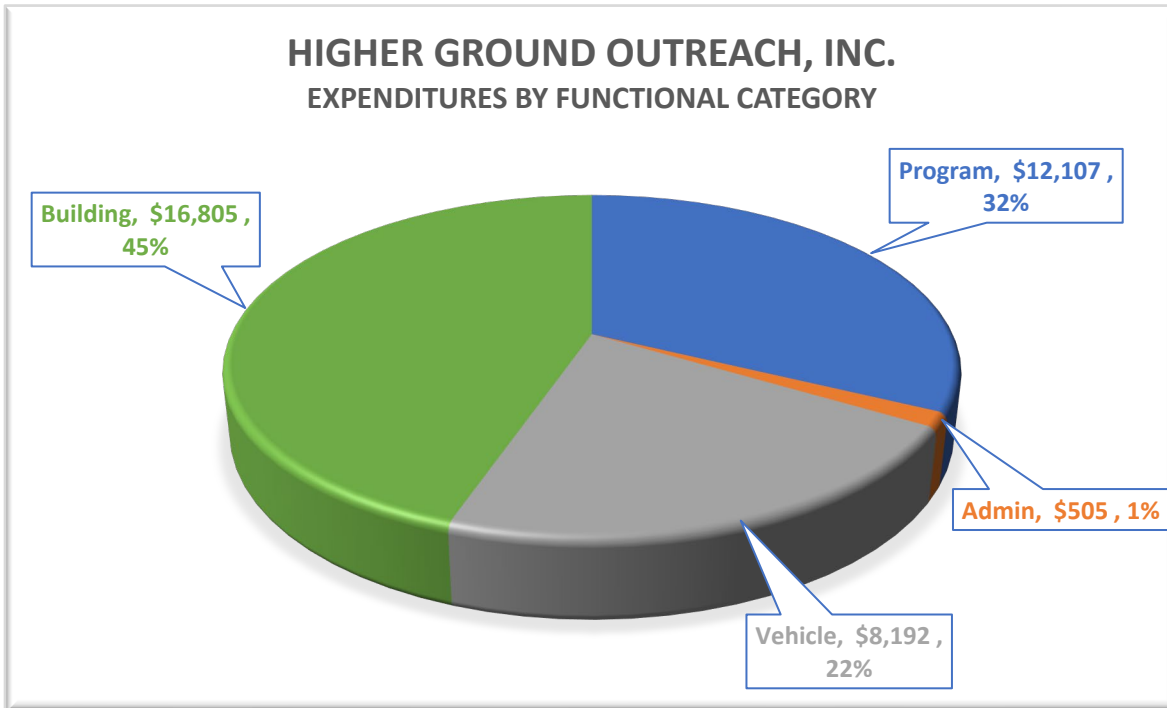
*I- HGO provides our tax ID number as requested to those who donate clothing, towels, blankets etc. We do not keep internal records on donors, due to our internal privacy policy and procedures.

*The spreadsheet developed by Mr. Owens provided a way for us to report our performance on these deliverables since the online reporting portal did not provide a way for us to input relevant data as it related to these contracted deliverables.

Finding #2: Grant Expenditures did not have a Demonstratable Direct Correlation with the Grant Budget.

Criteria: State of Delaware; Office of the Lieutenant Governor; Prescription Opioid Impact Fee Fund and Prescription Opioid Fund Guidelines for Distributions Up To \$100,000, Eligibility & Initial Screening Section 4.2.7; Agreement Governing Distributions of Prescription Opioid Impact Fee Funds and Prescription Opioid Settlement Funds, General Provision 1C.

Condition: Higher Ground House’s report of categorization of expenses charged to the grant included expense categories that were not included in the grant budget that accompanied the grant application. Expenditures under the grant therefore did not have a demonstrable direct correlation with the grant budget.



Cause: Higher Ground Outreach, Inc. lack of an internal control structure did not have the ability to produce a budget to actual financial statement to monitor grant expenditures against budgeted amounts. The actual expenditures charged against the grant program indicate that Higher Ground Outreach, Inc. modified the deliverables of the grant agreement to address the need to maintain the rental space used to house its programs and the personal vehicle used to provide transportation services. Higher Ground Outreach, Inc. could not provide written Board of Directors’ Meeting Minutes for us to determine if changing the grant expenditures focus was discussed and approved. Higher Ground Outreach, Inc. has not developed additional funding sources to provide adequate cash flow to sustain its operations.

Effect: The organization was not in compliance with General Provision 1(c) of the grant agreement which requires the expenditure of grant funds according to the program’s proposed budget. We were unable to determine the organizations extent of providing the wrap-around service deliverables stated in the grant agreement. Higher Ground Outreach, Inc. needed to use grant funds to maintain their rental space and vehicle rather than address specific grant deliverables.

Recommendation: Higher Ground Outreach, Inc. should develop and implement administrative and accounting policies and procedures, including but not limited to an accounting system to provide relevant, up-to-date financial reports, and the requirement to maintain written Board of Directors Meeting Minutes.

Management's Response to Finding #2

AOA received the below response from April Morehouse to Finding #2 via email with documents attached:

The 1/1/2023 budget that was submitted with the Application for the Opioid Grant was compiled two months after we first occupied the building on 12 E. Pine St. in Georgetown, De.

On 6/1/2023 we submitted a scope of work that included a budget of \$88,000. We were told that we were awarded \$80,000. As you can see from the email trail (*attached*) we were literally passed around among grant specialists for 3 and ½ months (5 assigned to us from the period 6/1/2023 to 10/9/2023 Christie Stephens, Letti Santarelli, Azure DeShields, Kelly Morgan, finally Brad Owens J.D.) while trying to determine how to report our measurables, since the opioid reporting system was not up and running until 10/16/2023. The original reporting software Sandbox was scrapped and replaced by Salesforce. As the emails say, we requested zoom meetings, phone calls, some direction from the state as to what was in the final budget, what matrices were we measured against, etc.

Per the attached 10/23/2023 email, Mr. Owens, having read the metrics on POSDC Grant Monthly Monitoring Data form, concluded that the metrics on that form did not relate to the type of agency that Higher Ground was and therefore together with us, developed a different report for us to use to quantify our metrics. Mr. Owens said that “Data input is imperative” and to “use this consistently going forward.” We asked for clarification on the budget and Mr. Owens stated that the worksheet was most important. He never asked for a budget vs. actual report.

The 6/01/2023 Scope of Work which included the revised Budget of \$88,000 was submitted to Adrienne Wallace, employee of the State Opioid Abatement Commission on 6/29/2023 when the contract was signed. On that budget included under project goals are: Internal Labor, Transportation and Utilities. We were told that the only expenditure not allowed that was on this list was food. Per phone conversation with Adrienne Wallace, we were working with the Budget submitted with the Scope of work of 6/01/2023. Task list #4 includes Water, trash and dumpster. In addition, the Opioid Abatement and Remediation Award Scope 2023 for Higher Ground House lists under the Payment #1 activities: A monthly tracking report to include salary allocation, rent and utilities, transportation and Miscellaneous. Under Miscellaneous, costs including insurance, gas, expenses for Transportation and Utilities are included. At that same we had lost many of our other supporters (due to matters beyond our control) and therefore were not able to hire the 2 certified peer specialists. April Morehouse and Lou Hernandez filled these spots instead. We were not yet set up for payroll and paid them via 1099. Please understand that at no time did Mr. Owens indicate that there was anything lacking in our reportables.

Auditor's Response

This performance audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. *Government Auditing Standards* Paragraph 9.52 (below), requires auditors to respond to the auditee's response when there is disagreement.

“When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement.”

The Office of the Auditor of Accounts has several disagreements with the Organization's response to the findings (noted above):

Finding #1**AOA Addressing Management's Responses to Items A – E, G:**

The POSDC requires all grantees to utilize the Salesforce tracking software to track and report (to the POSDC) several compliance driven data points. The supplemental spreadsheet that was developed to report Higher Ground's deliverables reasonably mirrors the same information required by the POSDC and the Salesforce software. While the spreadsheet provides more detail than the Salesforce software program, the Salesforce program is required to be used by all Opioid Grant recipients to report the measures of success of the grant programs. The reporting mechanism (whether it was the Salesforce software or a detailed spreadsheet), ultimately requires sufficient and detailed underlying records which were not available upon the auditor's request. Based upon the Phase 1A Grant Agreement the Higher Ground grant was bound by the 'Deliverables' contained therein.

AOA was not provided with, and was unable to verify, the items reported in the Salesforce software or the supplementally developed spreadsheet. AOA's finding (of not maintaining detailed supporting records of the amounts reported) is a material weakness in the internal control system of Higher Ground and is therefore correctly reported as a finding.

AOA Addressing Management's Responses to Item F:

Higher Ground's signed grant agreement (and agreed-upon budget) included funding for dedicated marketing and advertising to promote opioid treatment, prevention and abatement. The prevention marketing campaign is an integral part of the opioid grant program and was included in the grant deliverables. The high cost of production of marketing material is not a valid excuse for not spending the funds as required. Repurposing opioid prevention marketing funds to other non-budgeted line items was not authorized by the terms of the grant and is justly reported as a finding by AOA.

AOA Addressing Management's Responses to Item H:

Supporting documentation was not provided to verify the number of participants serviced, the miles driven or locations visited for the need of clients. Additionally, a 'reimbursement agreement' was not provided for Organizational use of a personal vehicle. Vehicle expenses (such as loan payments, fuel and insurance) were paid from grant funds, however the vehicle was in the name of an Organization Director without provision for use. The vehicle use is not considered an arms-length transaction and is justly reported as a finding.

AOA Addressing Management's Responses to Item I:

Supporting documentation was not provided for 'In-Kind Donations' provided to Higher Ground. The Organization should follow proper accounting guidance related to in-kind donations as reflected in FASB Topic 958 (Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets). Due to the lack of supporting documentation a written finding is justified.

Finding #2**AOA Addressing Management's Responses to Finding #2:**

A monthly budget to actual report is a part of a well-designed financial reporting system. It provides guidance to determine if monthly financial and operational goals are being achieved and is used for planning purposes.

As noted in the Organization's e-mail response, "Salesforce only provided space to enter the number of participants serviced. There was not a place for an organization to add supporting documents in the salesforce software." The audit support, daily accounting work product and client registration documents should all have been available for inspection upon auditor request. The reporting mechanism (whether it was the Salesforce software or a detailed spreadsheet), ultimately requires sufficient and detailed underlying records which were not available upon the auditor's request.

Higher Ground did not hire 2 certified peer specialists as required. Despite these positions being filled by the Organizations management team, this was not prescribed by the grant agreement. Additionally, AOA was not provided any IRS Form W4's or 1099's to substantiate independent contractors. The lack of documentation related to payroll or independent contractor payments is justifiably a finding.