

December 1993

GRANT
ADMINISTRATION

CDC Oversight of
Grantees' Activities
Needs Improvement





United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-250913

December 10, 1993

The Honorable Richard K. Armey
The Honorable Cass Ballenger
The Honorable Thomas J. Bliley, Jr.
The Honorable Dan Burton
The Honorable Philip M. Crane
The Honorable Tom DeLay
The Honorable Robert K. Dornan
The Honorable John J. Duncan, Jr.
The Honorable Bill Emerson
The Honorable Porter J. Goss
The Honorable Mel Hancock
The Honorable Wally Herger
The Honorable Henry J. Hyde
The Honorable Jim Lightfoot
The Honorable Bob Livingston
The Honorable Ron Packard
The Honorable Dana Rohrabacher
The Honorable Robert S. Walker
House of Representatives

This report responds to your concern over funds expended by the Centers for Disease Control and Prevention (CDC) to promote "safer sex," or the use of condoms, as a means of controlling the spread of the human immunodeficiency virus (HIV), which causes acquired immunodeficiency syndrome (AIDS). CDC is part of the Public Health Service (PHS) within the Department of Health and Human Services.

As agreed with the staff of Representative Hancock, who is representing the requesters, we reviewed CDC's monitoring of directly funded community-based organizations (CBOs) and national/regional minority organizations (NMOs)¹ regarding whether these organizations used federal funds to

- engage in prohibited lobbying;
- improperly advocate cultural, institutional, ideological, economic, or other causes; or
- promote or encourage homosexuality or the illegal use of intravenous drugs.

¹CDC uses cooperative agreements to fund CBOs and grants to fund NMOs. A cooperative agreement is a financial mechanism used in lieu of a grant when substantial federal involvement in the project is anticipated during the funding period. However, the same administrative requirements apply to both. To simplify discussion, cooperative agreements are referred to as grants in this report.

This report completes our work done in response to your request.²

No effective therapies or vaccines exist to cure or prevent HIV infection. This infection is transmitted only through blood-to-blood or certain sexual contact or from a mother to a newborn child. Certain high-risk behaviors, such as not using a condom during sexual intercourse with an HIV-infected person or sharing HIV-infected needle paraphernalia during intravenous drug use, are primary modes of HIV transmission.

As the lead federal agency for HIV prevention, CDC conducts a national program to inform and educate people about HIV infection. For persons now infected or whose behaviors place them at high-risk of exposure, CDC has programs designed to motivate them to change their risky sexual or drug-abusing behaviors.

Because of their established ties and credibility with target populations, CBOS are in a position to effectively communicate AIDS messages in a manner that will gain the attention of and acceptance by target groups in adopting safer sex practices. The Congress directed CDC to establish direct funding of CBOS. CBO direct funding is to (1) develop and implement innovative HIV-prevention programs and (2) promote collaboration among similar organizations and public agencies. CDC's direct funding supplements its usual procedure of funding CBOS indirectly through state and local government health agencies.

NMO funding is intended to (1) develop and broaden the base of minority organizations involved with HIV-prevention efforts, (2) support national or regional efforts that complement and supplement other minority-focused activities, and (3) encourage national or regional approaches to HIV prevention relevant to the cultural and social needs of minority populations.

To perform our work, we reviewed CDC policies and procedures for grant administration and the controls in place over grant awards. We randomly selected CBOS and NMOs that received funds directly from CDC in 1992 and reviewed the information in their case files. We met with CDC staff responsible for monitoring these organizations and discussed their awareness of lobbying and advocacy activities. We also visited the New York City Department of Health and reviewed the case files of randomly

²Previously, we issued a report on the activities of the Legal Services Corporation's national support center grantees. See Legal Services Corporation: National Support Center Grantees' Activities (GAO/HRD-93-9, Feb. 5, 1993).

selected CBOS funded indirectly by CDC through a grant to the city. Appendix I contains a detailed description of our scope and methodology.

Results in Brief

Generally, "lobbying" by grantees is prohibited if federal funds are involved. CDC's monitoring efforts did not find misuse of federal funds for lobbying activity. To identify such possible misuse of funds, CDC relies primarily on the results of financial audits conducted by certified public accountants. Also, grantees must certify compliance with the Byrd Amendment lobbying restriction.

CDC lacked adequate controls to support reimbursement of membership dues paid by grantees. During our review, CDC took steps to improve its controls by requiring staff to gather information on the organizations receiving the dues and the purpose of these payments. Further, PHS revised its grants administration policy to require additional documentation to support reimbursement of membership dues to organizations that may be engaged in lobbying.

Other than prohibited lobbying, grantees are generally not restricted from engaging in other types of advocacy activities. By their very nature, CBOS and NMOS are advocates for various causes as reflected by the groups that they represent and serve. Although these organizations engage in general advocacy, CDC has no basis to reject them for funding or to monitor them more closely, unless their general advocacy is inconsistent with program objectives.

CDC has adopted requirements from the Public Health Service Act, which prohibit grantees from using federal funds to provide HIV-prevention information that may be considered "obscene" or "designed to promote or encourage, directly, homosexual or heterosexual sexual activity or intravenous substance abuse." To help ensure compliance with such restrictions, CDC requires grantees to designate a program review panel to review the content of AIDS-related materials, such as posters, brochures, and audiovisuals, as well as the curriculum or script of educational activities such as plays and concerts. At the time of our review, CDC was reevaluating its policy options regarding such content reviews.

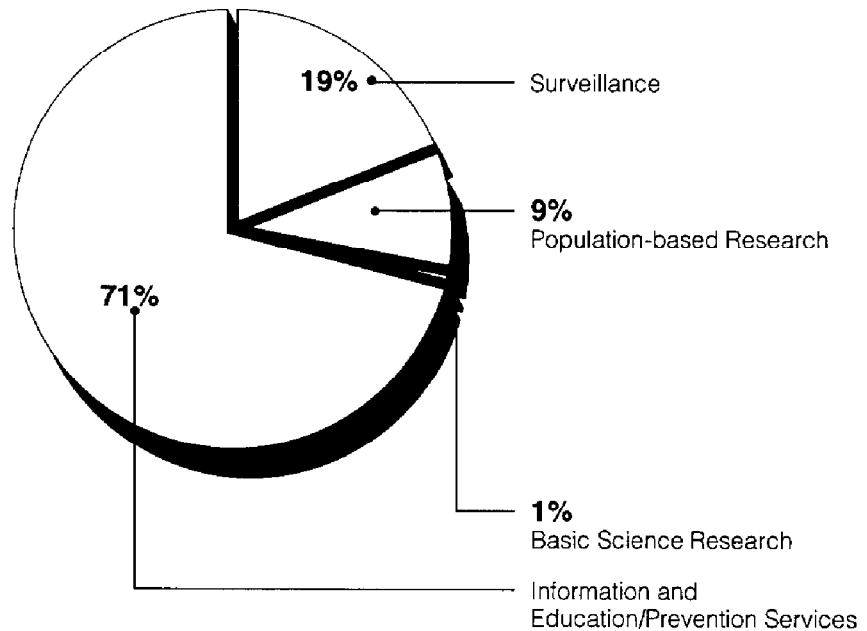
CDC had not performed adequate oversight to ensure that its required reviews of AIDS-related materials were being performed. For example, the case files we reviewed generally lacked the required evidence that program panel reviews had been performed. In addition, CDC did not have

complete information to account for all of the AIDS-related materials being produced and/or distributed with federal funds. CDC should improve its oversight of AIDS-related materials.

Background

In fiscal year 1992, CDC received about \$478 million in HIV-prevention funding. It distributed this money among four component activities: (1) basic scientific research, (2) population-based research, (3) surveillance, and (4) information and education/prevention services (see fig. 1).

Figure 1: Distribution of 1992 HIV Prevention Funds



Source: CDC.

Information and education/prevention services accounted for 71 percent—or about \$340 million—of CDC’s 1992 HIV-prevention funds. These services fall into three main categories: (1) public information and

education, (2) education for school-aged persons, and (3) risk-reduction education and counseling and testing services for people at increased risk of HIV infection.

Among the most visible activities are the public information campaign, "America Responds to AIDS," the national AIDS hotline, and a clearinghouse that provides materials and information on AIDS to the public. In addition, to prevent HIV transmission among youth, CDC funds various activities in the nation's education system. CDC also funds programs serving youth who may be at risk of HIV infection, such as out-of-school youth and youth in correctional facilities.

Of the three categories of information and education/prevention services, over half—about \$192 million—of the funds were for programs targeting high-risk or HIV-infected persons. State and local government health agencies, the largest recipients of CDC funds, provide counseling, testing, referral, and partner-notification services to such persons. In addition to these services, health agencies contract with community-based organizations for outreach and other activities aimed at minorities and at-risk persons.

CDC also directly funds CBOS and other private organizations, including the American Red Cross, the U.S. Conference of Mayors, hemophilia treatment centers, and NMOS. In 1992, directly funded CBOS accounted for about \$19 million (about 4 percent) of CDC's \$478 million in HIV-prevention funds, and NMOS accounted for about \$8 million (about 2 percent) of these funds.

Minority Initiatives

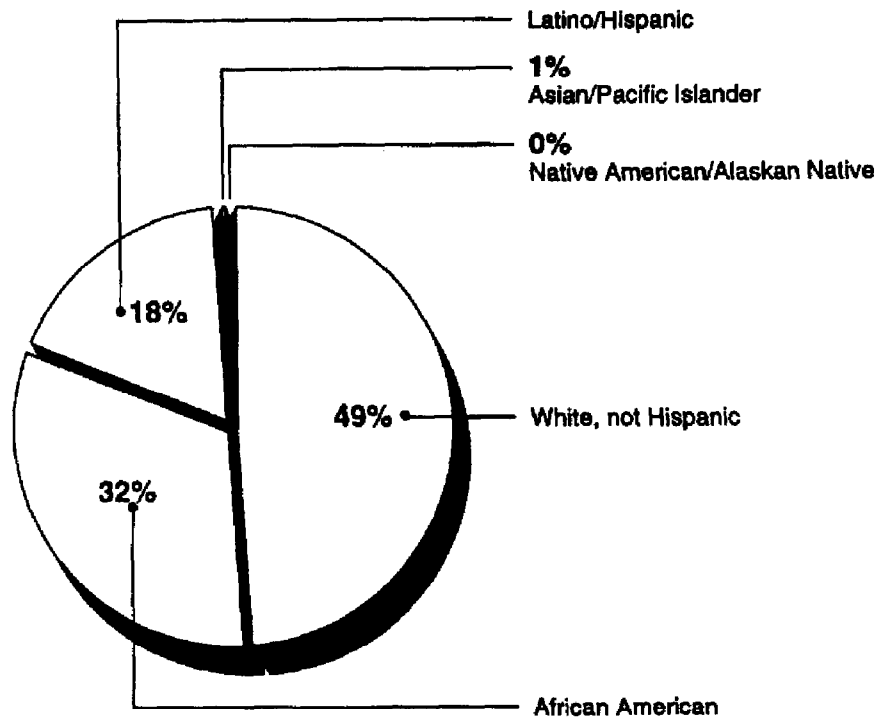
CDC's funding of CBOS and NMOS is primarily focused on organizations and programs serving minority populations. For example, of the directly funded CBOS and NMOS in 1992, two-thirds of the CBOS and all of the NMOS represent and serve minority populations.³

CDC's HIV-prevention efforts aimed at minorities reflect epidemiologic trends that show that minorities have been disproportionately affected by AIDS. For example, CDC data show that of the 200,000 AIDS cases reported as of January 1992, African Americans and Hispanics accounted for 44 percent of the total, 72 percent of the women, 71 percent of the heterosexuals, and 77 percent of the children. Also, in 1991, for the first

³Racial and ethnic minorities targeted by CDC include African Americans, Asians, Caribbean Americans, Latinos/Hispanics, Native Americans/Alaskan Natives, and Pacific Islanders.

time, annual reported AIDS cases among minorities exceeded that reported among whites (see fig. 2).

Figure 2: AIDS Cases Reported for Minorities in 1991 by Race/Ethnicity



Note: Total AIDS cases in 1991 were 45,506. Native American/Alaskan Native cases were fewer than 1 percent of these.

Source: CDC.

In addition to CBOs and NMOs, CDC funds conferences and special state and local projects that target minorities.

Grantee Monitoring

CDC uses several monitoring tools to ensure proper use of federal funds by grantees. These tools include progress reports, financial audits, site visits, and Office of Inspector General audits. Also, to assess an applicant's

ability to carry out grant objectives, CDC performs preaward audits and site visits.

In regard to financial audits, CDC requires grantees to periodically submit copies of audits performed by certified public accountants. Under guidelines issued by the Office of Management and Budget (OMB), accountants are to perform tests to assess whether grantees comply with statutory and regulatory requirements, including restrictions on lobbying and political activity.

CDC program and grant management staff share responsibility for monitoring grantees' activities. Program staff monitor scientific, technical, or other program-related topics. The grants management officer (GMO) and staff monitor the business management aspects of grant programs. During site visits and other monitoring activities, program and grant management staff are required to be alert to the possibility of grantees' misuse of federal funds for restricted lobbying and other instances of noncompliance with applicable laws, regulations, and policies.

Lobbying Restrictions

Federal laws prohibit the use of appropriated funds for various activities characterized as lobbying. In recent years, CDC's grantees have been subject to the following restriction:

"(a) No part of any appropriation contained in this Act shall be used, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television, or film presentation, designed to support or defeat legislation pending before the Congress, except in presentation to the Congress itself."

"(b) No part of any appropriation contained in this Act shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence legislation or appropriations pending before the Congress."⁴

In addition, CDC grantees are subject to a permanent, governmentwide restriction on lobbying, known as the Byrd Amendment.⁵ Enacted in 1989, this legislation generally prohibits grantees from using appropriated funds for lobbying the Congress or any federal agency in connection with the

⁴Section 509, Department of Labor, Health and Human Services, and Education and Related Agencies Appropriations Act of 1992 (P.L. 102-170).

⁵P.L. 101-121, sec. 319 (31 U.S.C. 1352).

award, extension, renewal, or amendment of a particular grant. The legislation mandates detailed disclosure requirements and specifies civil penalties for noncompliance. To enforce this lobbying restriction, CDC requires grantees to certify that they have not made and will not make any prohibited payment discussed in the Byrd Amendment.

CDC's Efforts to Prohibit Grantees From Promoting or Encouraging Homosexuality or Illegal Intravenous Drug Use

Education about preventing HIV transmission involves effectively presenting sensitive subject matter. Since 1985, CDC, as part of the terms and conditions for receipt of HIV-prevention funds, has required that all educational and AIDS-related materials be reviewed by a grantee-designated program review panel. Program review panels must consist of a reasonable cross section of the community.⁶ The purpose of the requirement to use review panels is to preclude local controversies over the use of federal funds by requiring a careful consideration of the content and intended audience of AIDS-related materials.

Until May 1992, CDC instructed review panels to apply the standard that materials should be sufficiently descriptive for target audiences to understand the message but not be "offensive" to most educated adults outside those audiences. In May 1992, a federal district court found the language in this standard regarding offensiveness unconstitutional. Consequently, CDC dropped the offensiveness standard and adopted, on an interim basis, the standard from the Public Health Service Act. The act prohibits federal funds from being used to provide education or information "designed to promote or encourage, directly, homosexual or heterosexual activity or intravenous substance abuse."⁷ Nevertheless, the act also specifies that this limitation not be used to restrict the ability of programs to provide accurate information about various means to reduce an individual's risk of exposure to or transmission of HIV, provided that the materials used are not "obscene."

At the time of our review, CDC was reevaluating policy options for its content review requirements for AIDS-related materials.

⁶In March 1992, CDC revised its guidelines to require that program review panels include an employee or representative of a state or local health agency.

⁷Similar language has appeared in CDC's appropriations acts, most recently in 1991 (P.L. 101-517).

CDC Did Not Find Grantees Engaging in Restricted Lobbying

To determine if grantees comply with laws governing restricted lobbying, CDC relies primarily on the results of audits conducted by certified public accountants. In addition, grantees must certify compliance with the Byrd Amendment lobbying restriction. Also, CDC staff responsible for grantee monitoring are required to be alert for any possible misuse of federal funds.

The results of the financial audits we reviewed did not identify any misuse of federal funds for restricted lobbying. In addition, each of the selected grantees provided CDC with the required certification regarding their compliance with the Byrd Amendment lobbying restriction.

Program and grant staff responsible for monitoring grantees' activities said that they did not find that any of the selected grantees engaged in restricted lobbying. Further, for all the other CBOS and NMOS, CDC officials said that they had not found any evidence that these grantees had engaged in restricted lobbying. Similarly, in regard to indirectly funded CBOS, New York City Department of Health officials said that they did not find that any of these CBOS had engaged in restricted lobbying.

CDC Lacked Adequate Controls Over Grantees' Use of Federal Funds for Membership Dues

PHS policy restricts grantees' use of federal funds to pay membership dues to organizations. CDC lacked adequate controls to determine when such payments were proper.

PHS grants administration policy permits reimbursement of membership dues only if such membership is necessary to accomplish the objectives of the grant program. We found that CDC had not attempted to enforce this requirement. CDC's GMO said that membership dues had generally not been questioned because such dues comprised a very small portion of grantees' budgets and usually were combined with other general or indirect expense items.

In response to our finding, instructions were issued to the GMO staff requiring them to question grantees' membership dues during budget negotiations. Staff were instructed to identify the organizations receiving the dues and the purpose of the payment. Also, written justification is now required in the grantees' case files to support dues reimbursement.

Further, PHS advised us that it recently expanded its policy to include restrictions on reimbursement of membership dues to organizations that may engage in lobbying. In April 1993, PHS issued new policy guidance,

which required grant offices to obtain annual Internal Revenue Service (IRS) information returns filed by organizations for which dues are being claimed. To maintain their tax-exempt status, organizations are not to exceed certain lobbying limits set by IRS. The guidance states that, if organizations exceed the lobbying limits, the reimbursement of membership dues is not allowable.

Grantees Are Usually Not Restricted From Engaging in General Advocacy

Other than prohibited lobbying, grantees are usually not restricted from engaging in general advocacy, unless such advocacy is inconsistent with the purposes of the grant program. PHS grants administration policy allows for consideration of an organization's general advocacy in the selection and monitoring process only when such advocacy is inconsistent with program objectives.

As part of its grantee selection process, CDC uses independent reviewers to assess an applicant's merits for selection. The merits considered include whether an applicant's proposed HIV-prevention activities and mission are consistent with program objectives. The mission statements of the grantees that we selected did not indicate that they had missions that would negatively affect their ability to perform the objectives of CDC's HIV-prevention program. For example, the missions of the CBOs that we reviewed were to provide health-related or social services primarily to ethnic and racial minority populations.

PHS grants administration policy requires that grantees that advocate political, moral, religious, or other positions inconsistent with grant program objectives be identified and subjected to additional selection and monitoring controls. This policy protects federal funds from misuse when an organization's advocacy may make it difficult or impossible for it to accomplish the objectives of a grant program. We did not find, however, any indications that CDC had selected such organizations for funding.

Lack of Adequate Oversight of AIDS-Related Materials

CDC has not provided for adequate oversight of grantees' AIDS-related materials to ensure proper use of federal funds. CDC's oversight has been inadequate because it has not (1) enforced its requirement that grantees provide it with evidence of program review panel decisions or (2) required grantees to report all the AIDS-related materials produced and/or distributed with federal funds.

**Lack of Evidence of
Program Review Panel
Decisions**

Our review of selected CBO and NMO case files showed that grantees generally had not provided CDC with required evidence that AIDS-related materials were being reviewed by a program review panel. In addition, the files lacked evidence that CDC program staff had ensured grantees' compliance with program review panel requirements as part of their monitoring visits.

CDC's guidelines require that program review panels review the content of AIDS-related materials produced and/or distributed with federal funds. Before distribution, grantees are to submit for panel review any materials that they plan to develop with federal funds or that they plan to distribute by use of federally funded workers.

After program panel members review grantees' materials, CDC requires that grantees obtain a signed statement from the panel chair of the panel's votes for approval and disapproval in regard to each item submitted. Grantees are required to retain the signed statement in their project files and provide CDC with a copy.⁸

Our review of selected grantee case files showed that the required evidence of program panel reviews was generally lacking. For example, of the 10 CBO case files we reviewed, only 4 contained a signed statement by the panel chair indicating that some materials had been reviewed. CDC program officials agreed that the requirement had not been adequately enforced. Also, the reports of program staff visits to the selected CBOs and NMOs did not indicate a review of grantees' files to determine if they were complying with CDC's program panel review requirements.

**Lack of Complete
Information on
AIDS-Related Materials**

The case files we reviewed did not contain sufficient information to identify all the AIDS-related materials that grantees produced and/or distributed with federal funds. CDC program officials said that grantees are not required to report or provide CDC with copies of materials developed and/or distributed with federal funds. Without complete information on all of the AIDS-related materials developed and/or distributed with federal funds, CDC would not know, for example, if its required reviews of all such materials by program panels were being performed.

⁸Since at least 1986, CDC has required that funded organizations provide it with evidence of program review panel decisions.

Conclusions

CDC's oversight did not find indications of grantees engaging in prohibited lobbying. CDC, however, did not have adequate controls over the use of federal funds to pay membership dues to organizations. During our review, CDC improved its controls by requiring staff to gather information on the organizations receiving dues and the purpose of these payments. Also, PHS revised its grants administration policy on the extent of organizations' lobbying to determine the allowability of such dues reimbursement.

CDC's oversight of AIDS-related materials produced and/or distributed with federal funds has been inadequate. For example, CDC has not adequately monitored the results of program panel reviews to ensure that federally funded materials have been reviewed. In addition, CDC did not have a means to adequately account for the AIDS-related materials being produced and/or distributed with federal funds.

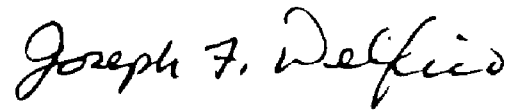
Recommendations to the Director of CDC

To improve CDC's oversight of AIDS-related materials, we recommend that the Director of CDC require (1) funded organizations to identify, as part of their periodic reporting requirements, the AIDS-related materials produced and/or distributed with federal funds and (2) program staff to periodically determine whether funded organizations have complied with the requirement to provide evidence of program panel reviews of AIDS-related material.

Agency Comments

On October 5, 1993, PHS provided us with written comments on a draft of this report. PHS agreed with our recommendations to improve CDC's oversight of AIDS-related materials. PHS believed, however, that we should combine our two recommendations as follows: "program staff should periodically determine whether funded organizations have complied with the requirement that they provide evidence of the program review panel's approval or disapproval of all AIDS-related materials produced and/or distributed with federal funds." PHS believes this change would correctly place emphasis on the program panel review. We do not agree. In our view, CDC lacks adequate accounting of the AIDS-related materials being produced and/or distributed with federal funds. Reliance on grantees to provide evidence of program review panel's approval or disapproval of all AIDS-related materials produced and/or distributed with federal funds is inadequate by itself to ensure proper accounting of all materials. In addition, PHS provided technical comments that we incorporated in the report, as appropriate. (PHS's comment letter is reproduced as app. II.)

We are sending copies of this report to appropriate congressional committees, the Director of CDC, and other interested parties. If you have any questions, please call me on (202) 512-7215. Other major contributors are listed in appendix III.



Joseph F. Delfico
Director, Income Security Issues

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Abbreviations

AIDS	acquired immunodeficiency syndrome
CBO	community-based organization
CDC	Centers for Disease Control and Prevention
GMO	grants management officer
HIV	human immunodeficiency virus
IRS	Internal Revenue Service
NMO	national/regional minority organization
OMB	Office of Management and Budget
PHS	Public Health Service

Scope and Methodology

We performed our audit work at Centers for Disease Control and Prevention headquarters in Atlanta, Georgia. We reviewed manuals and other documents related to grants administration policies and procedures and controls over grant awards. We also randomly selected 10 of the 94 community-based organizations and 5 of the 32 national/regional minority organizations directly funded by CDC during fiscal year 1992 and reviewed information contained in their case files. Such information included grant applications, budget documents, progress and trip reports, financial audits, and various correspondence with grantees.

To identify any potential instances of grantees engaging in prohibited lobbying, we reviewed the results of financial audits and discussed monitoring requirements for and awareness of any prohibited lobbying with CDC officials and staff responsible for oversight. We also reviewed Office of Management and Budget requirements for conducting financial audits as well as the required certifications submitted to CDC by selected grantees to comply with certain lobbying restrictions.

To identify possible restrictions that could be placed on grantees' general advocacy, we reviewed grants administration policy and discussed instances when monitoring may be appropriate with CDC officials. We also obtained an understanding of the grantee selection process and reviewed grantees' stated missions for indications of their general advocacy.

To identify restrictions on the use of federal funds to promote or encourage homosexuality or the illegal use of intravenous drugs, we reviewed applicable laws, regulations, and instructions. We also discussed requirements for reviews of AIDS-related materials and activities with CDC officials and staff.

We visited the New York City Department of Health and randomly selected for review 4 of the 31 CBOS funded indirectly by CDC through funds provided to the city. We also discussed with health department officials their monitoring of CBOS.

We conducted our review between November 1992 and March 1993 in accordance with generally accepted government auditing standards.

Comments From the Public Health Service



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Office of the Assistant Secretary
for Health
Washington DC 20201

OCT 05 1993

Mr. Joseph F. Delfico
Director, Income Security Issues
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Delfico:

Attached are the U.S. Public Health Service's (PHS) comments on your draft report "Centers for Disease Control and Prevention: Oversight of Grantees' Activities Needs Improvement." The comments represent the tentative position of the PHS and are subject to reevaluation when the final version of this report is received.

The PHS appreciates the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Anthony L. Itteilag".

Anthony L. Itteilag
Deputy Assistant Secretary
for Health Management Operations

Enclosure

PUBLIC HEALTH SERVICE COMMENTS ON THE GENERAL ACCOUNTING
OFFICE DRAFT REPORT, "CENTERS FOR DISEASE CONTROL AND
PREVENTION: OVERSIGHT OF GRANTEE'S ACTIVITIES NEEDS
IMPROVEMENT" GAO/HRD-93-137, AUGUST 1993

GENERAL COMMENTS

The General Accounting Office (GAO) report is in response to congressional concerns over funds expended by the Centers for Disease Control and Prevention (CDC) to promote "safer sex" or use of condoms as a means of controlling the spread of the human immunodeficiency virus (HIV), which causes acquired immune deficiency syndrome (AIDS).

GAO examines CDC's monitoring of directly funded community-based organizations (CBOs) and national/regional minority organizations (NMOs) regarding whether these organizations used Federal funds to (1) engage in prohibited lobbying; (2) improperly advocate cultural, institutional, ideological, economic, or other causes; or (3) promote or encourage homosexuality, or the illegal use of intravenous drugs.

Although CBOs and NMOs have established ties and credibility with target populations and therefore can effectively communicate AIDS messages, it should be made clear in the INTRODUCTION/BACKGROUND Section (pg. 2), that it was Congress who directed CDC to establish direct funding of community based organizations.

Regarding GAO's findings that CDC lacked adequate controls over grantees engaging indirectly in lobbying through payment of dues, we wish to inform GAO of an early Fiscal Year 1993 review by the PHS Office of Management on the use of membership dues to professional organizations as these dues relate to lobbying activities. The review concluded that current statutory and regulatory provisions permit the payment of membership dues to professional organizations which do not engage in a substantial amount of lobbying. The review also found that the Internal Revenue Service (IRS) Code sets clear limits on the amount that a professional organization can use for lobbying if it is to retain its tax-exempt status as a nonprofit professional organization for IRS purposes.

On April 6, 1993, the Director, PHS Office of Management, wrote a memorandum to all PHS Agency Executive Officers advising them of these limits and asking them to "...instruct...[their] grants and contracting officers to obtain and review the annual IRS information returns filed by those organizations for which dues are claimed as either direct costs or indirect costs negotiated by PHS." The

Appendix II
Comments From the Public Health Service

memorandum further advises that if the lobbying expenditures of the organizations exceed the allowable limit set by the IRS, those dues shall no longer be considered an allowable cost.

The following is the PHS comment on the two recommendations.

GAO RECOMMENDATION

To improve CDC's oversight of AIDS-related materials, we recommend that the Director, CDC require: (1) funded organizations to identify, as part of their periodic reporting requirements, the AIDS-related materials produced and/or distributed with federal funds; and (2) program staff to periodically determine whether funded organizations comply with requirements for program panel reviews of AIDS-related material.

PHS COMMENT

We concur. The recommendations however, can be collapsed into one which could read "program staff should periodically determine whether funded organizations have complied with the requirement that they provide evidence of the program review panel's approval or disapproval of all AIDS-related materials produced and/or distributed with federal funds." This will place the emphasis correctly on the review panel review. The CDC will institute this procedure for grants awarded on or after October 1, 1993, which provide funding for AIDS-related materials.

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