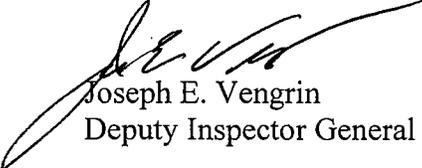




Washington, D.C. 20201

**AUG - 5 2009**

**TO:** Yolanda J. Butler, Ph.D.  
Acting Director  
Office of Community Services  
Administration for Children and Families

**FROM:**   
Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Status of the Office of Community Services' Corrective Actions Resulting From the Government Accountability Office Review of the Community Services Block Grant Program (A-01-09-02502)

The attached final report provides the results of our review of the status of the Office of Community Services' (OCS) corrective actions resulting from the Government Accountability Office's (GAO) review of the Community Services Block Grant (CSBG) program. This review is the first of a series of reviews that will address the internal control structure of the CSBG program. We are conducting these reviews in response to the \$1 billion appropriated for the CSBG program by the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5. These funds are available for fiscal years 2009 and 2010.

In a June 2006 report on the CSBG program, GAO stated that OCS "lacked effective policies, procedures, and controls to help ensure that it fully met legal requirements for monitoring states and internal control standards." GAO also found that OCS did not routinely collect key information, such as State performance data, to assess State monitoring reports, nor did it systematically use available information to assess the States' CSBG management risks and target monitoring to States with the highest risk. To correct these deficiencies, GAO made nine recommendations: five recommendations for executive actions and four recommendations for strengthening OCS's internal controls to fulfill its CSBG monitoring responsibilities.

Our objective was to determine the status of corrective actions that OCS took to address GAO's recommendations.

OCS implemented the six recommendations that we reviewed. Specifically, in response to the recommendations for executive actions, OCS conducted a risk-based assessment of State CSBG programs and established policies and procedures to help ensure that OCS's onsite monitoring was focused on the States with the highest risk. In response to the four recommendations

directed at strengthening OCS's internal controls to fulfill its CSBG monitoring responsibilities, OCS developed written policies and procedures in the areas that GAO identified.

Because OCS implemented GAO's recommendations, this report has no recommendations. We will evaluate the effectiveness of the newly implemented policies and procedures during our reviews addressing the internal control structure of the CSBG program.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-01-09-02502 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**STATUS OF THE OFFICE OF  
COMMUNITY SERVICES'  
CORRECTIVE ACTIONS  
RESULTING FROM THE  
GOVERNMENT ACCOUNTABILITY  
OFFICE REVIEW OF THE  
COMMUNITY SERVICES  
BLOCK GRANT PROGRAM**



Daniel R. Levinson  
Inspector General

August 2009  
A-01-09-02502

# *Office of Inspector General*

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The Community Services Block Grant (CSBG) program funds a State-administered network of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. The U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services (OCS), oversees the program.

In a June 2006 report on the CSBG program, the Government Accountability Office (GAO) stated that OCS “lacked effective policies, procedures, and controls to help ensure that it fully met legal requirements for monitoring states and internal control standards.” GAO also stated that OCS did not routinely collect key information, such as State performance data, to assess State monitoring reports, nor did it systematically use available information to assess the States’ CSBG management risks and target monitoring to States with the highest risk. To correct these deficiencies, GAO made nine recommendations. Five recommendations were for executive actions to correct the deficiencies that GAO found, and four recommendations were directed at strengthening OCS’s internal controls to fulfill its CSBG monitoring responsibilities.

We reviewed the status of six of GAO’s recommendations. We excluded from our review one recommendation because GAO already approved OCS’s corrective actions. We are separately reviewing the status of two other recommendations.

This review is the first of a series of reviews that will address the internal control structure of the CSBG program. We are conducting these reviews in response to the \$1 billion appropriated for the CSBG program by the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5. These funds are available for fiscal years 2009 and 2010.

### **OBJECTIVE**

Our objective was to determine the status of corrective actions that OCS took to address GAO’s recommendations.

### **SUMMARY OF RESULTS**

OCS implemented the six recommendations that we reviewed. Specifically, in response to the recommendations for executive actions, OCS conducted a risk-based assessment of State CSBG programs and established policies and procedures to help ensure that OCS’s onsite monitoring was focused on the States with the highest risk. In response to the four recommendations directed at strengthening OCS’s internal controls to fulfill its CSBG monitoring responsibilities, OCS developed written policies and procedures in the areas that GAO identified.

Because OCS implemented GAO’s recommendations, this report has no recommendations. We will evaluate the effectiveness of the newly implemented policies and procedures during our reviews addressing the internal control structure of the CSBG program.

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## INTRODUCTION

### BACKGROUND

#### Community Services Block Grant

The Community Services Block Grant (CSBG) was reauthorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. No. 105-285 (the CSBG Act), to provide funds to alleviate poverty in communities. The CSBG program funds a State-administered network<sup>1</sup> of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$620.4 million in fiscal year (FY) 2007 and \$643 million in FY 2008 through the program.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (the Recovery Act), provides a total of \$1 billion in additional CSBG funds for FYs 2009 and 2010. As with annually appropriated CSBG funds, States may use Recovery Act funds to reduce poverty, to revitalize low-income communities, and to empower low-income families to become self-sufficient.

#### Office of Community Services

The U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Community Services (OCS), oversees the CSBG program. States and territories submit to OCS annual or biannual applications that include (1) a statement of goals and objectives, (2) information on the specific activities to be supported, (3) areas and categories of individuals to be served, and (4) the criteria and method for distributing funds to local agencies.

#### Federal Requirements

The CSBG Act requires that:

- OCS visit several States each year to evaluate their use of CSBG funds and submit annual reports on its findings to the visited States and Congress;
- OCS provide training and technical assistance funds to States to support State monitoring efforts and improve the quality of local programs;
- States visit all local agencies at least once during each 3-year period and more often if local agencies fail to meet State-established goals, requirements, and standards; and
- States report performance data to OCS annually, including data on the number of people served by antipoverty programs.

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<sup>1</sup>“State,” as used in this report, includes tribes that administer funds pursuant to section 677 of the CSBG Act.

Pursuant to Office of Management and Budget Circular A-123, Federal programs are responsible for establishing and maintaining internal controls to achieve (1) effective and efficient operations, (2) reliable financial reporting, and (3) compliance with applicable laws and regulations.

### **Prior Government Accountability Office Report**

At the request of Congress, the Government Accountability Office (GAO) reviewed<sup>2</sup> (1) OCS's compliance with Federal laws and standards for overseeing State efforts to monitor local agencies, (2) five States' efforts to monitor local agencies' compliance with fiscal requirements and performance standards, and (3) OCS's targeting of Federal CSBG training and technical assistance funds to assist local agencies with financial or management problems and the results.

GAO reported that OCS "lacked effective policies, procedures, and controls to help ensure that it fully met legal requirements for monitoring states and internal control standards." GAO also reported that OCS did not routinely collect key information, such as State performance data, to assess State monitoring reports, nor did it systematically use available information to assess the States' CSBG management risks and focus monitoring on States with the highest risk.

To help OCS provide better oversight of State agencies, as well as to ensure that OCS has the internal controls to fulfill its CSBG monitoring responsibilities, GAO made nine recommendations to OCS. Five recommendations were for executive actions:

- Conduct a risk-based assessment of State CSBG programs by systematically collecting and using information.
- Establish policies and procedures to help ensure that OCS's onsite monitoring is focused on the States with the highest risk.
- Issue guidance on State responsibilities for complying with the requirement to monitor local agencies at least once during each 3-year period.
- Establish reporting guidance for training and technical assistance grants that would allow OCS to obtain information on the outcomes of grant-funded activities.
- Implement a strategic plan to focus OCS's training and technical assistance efforts on the areas in which States face the greatest needs.

The four remaining recommendations, which GAO provided separately in a February 2006 letter, were directed at strengthening OCS's internal controls to fulfill its CSBG monitoring responsibilities. Specifically, GAO recommended that OCS establish written policies and procedures for:

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<sup>2</sup>"Community Services Block Grant Program: HHS Should Improve Oversight by Focusing Monitoring and Assistance Efforts on Areas of High Risk." GAO-06-627, June 2006. Available at [www.gao.gov/cgi-bin/getrpt?GAO-06-627](http://www.gao.gov/cgi-bin/getrpt?GAO-06-627). Accessed June 5, 2009.

- ensuring that teams conducting monitoring visits include staff with the requisite skills,
- ensuring the timely completion of monitoring reports to States,
- maintaining documentation on monitoring visits, and
- ensuring the timely issuance of annual reports to Congress.

OCS informed GAO that it planned to make several changes to improve CSBG oversight and that it had begun to address the recommendations in the report.

### **Office of Inspector General Reviews**

This review is the first of a series of reviews that will address the internal control structure of the CSBG program. We are conducting these reviews in response to the \$1 billion appropriated for the CSBG program by the Recovery Act for FYs 2009 and 2010.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine the status of corrective actions that OCS took to address GAO's recommendations.

#### **Scope**

We reviewed OCS's internal controls for the CSBG program as they related to the status of the 2006 GAO recommendations. We reviewed only those internal controls considered necessary to achieve our objective. We will evaluate the effectiveness of the policies and procedures that OCS established in response to GAO's recommendations in separate reviews of the internal control structure of the CSBG program.

We did not review the status of the recommendation to issue guidance on State responsibilities for monitoring local agencies at least once during each 3-year period because GAO already approved OCS's corrective actions. We did not review the status of two other recommendations (to establish reporting guidance for training and technical assistance grants and to implement a strategic plan to focus OCS's efforts on areas with the greatest needs) because we are addressing these recommendations in separate reviews.

We performed our fieldwork at OCS in the District of Columbia in April and May 2009.

#### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws and guidance,

- interviewed OCS personnel and reviewed OCS’s internal policies to determine the steps that OCS had taken to implement GAO’s recommendations, and
- discussed our results with OCS officials.

We conducted this performance 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **RESULTS OF AUDIT**

OCS implemented the six recommendations that we reviewed. Specifically, in response to the recommendations for executive actions, OCS conducted a risk-based assessment of State CSBG programs and established policies and procedures to help ensure that OCS’s onsite monitoring was focused on the States with the highest risk. In response to the four recommendations directed at strengthening OCS’s internal controls to fulfill its CSBG monitoring responsibilities, OCS developed written policies and procedures in the areas that GAO identified.

Because OCS implemented GAO’s recommendations for corrective action, this report has no recommendations. We will evaluate the effectiveness of the newly implemented policies and procedures during our reviews addressing the internal control structure of the CSBG program.

## **RECOMMENDATIONS FOR EXECUTIVE ACTIONS**

### **Conduct a Risk-Based Assessment of State Community Services Block Grant Programs by Systematically Collecting and Using Information**

GAO’s audit found that OCS did not systematically collect and use available information, such as the results of State monitoring of local grantees, to assess States’ risks related to managing their CSBG programs.

We found that OCS had conducted a risk-based assessment of State CSBG programs. Specifically, OCS had systematically collected and used information from States and local grantees to determine the level of risk based on the following six factors:

- the number of local grantees identified by a State as vulnerable, in crisis, terminated, or having corrected past problems;
- the complexity of each State’s monitoring efforts in relation to the State’s physical size, number of eligible grantees, and personnel allocated to the CSBG program;
- poverty in the State;

- the total number of people served by the grantees in the State in relation to the total number of eligible grantees in the State;
- Office of Management and Budget Circular A-133 audit reports; and
- the timeliness of State CSBG plans.

**Establish Policies and Procedures To Help Ensure That Onsite Monitoring Is Focused on the States With the Highest Risk**

GAO’s audit found that OCS did not have a risk-based strategy for selecting States for onsite monitoring.

We found that OCS had begun establishing policies and procedures to help ensure that its onsite monitoring was focused on the States with the highest risk. Specifically, OCS had developed triennial schedules for State assessments that place a priority on conducting site visits in States that OCS deems will benefit most from the review. Of the 18 States on the 2008–2010 schedule, 5 were ranked in the top 10 for risk. The schedule also included reviews of States at lower risk. According to OCS staff, these lower risk States were included to ensure geographic diversity and to identify best practices that could be replicated in other States.

After we completed our fieldwork, OCS established written policies and procedures to ensure that onsite monitoring was focused on the States with the highest risk. According to these policies and procedures, OCS’s future triennial schedules will place a priority on assessing the States at highest risk.

**RECOMMENDATIONS FOR INTERNAL CONTROLS**

**Establish Written Policies and Procedures for Ensuring That Teams Conducting Monitoring Visits Include Staff With the Requisite Skills**

GAO’s audit found that OCS staff lacked the requisite skills to perform State monitoring visits. Specifically, OCS staff lacked the expertise needed to assess the financial operations of State CSBG programs, a key component of the CSBG monitoring process.

We found that OCS had established policies and procedures for ensuring that teams conducting monitoring visits include staff with the requisite skills. In addition, OCS stated that it had created a financial operations team and recruited both Federal and contract staff with the financial analysis and monitoring skills needed to serve on the team. OCS also informed us that it had awarded a financial monitoring contract to provide staff possessing requisite skills (certified public accountants, auditors, financial management experts, and grant management and program specialists) to assist in conducting State assessments.

After our fieldwork, OCS provided us with written policies and procedures for ensuring that teams conducting monitoring visits include staff with the requisite skills.

## **Establish Written Policies and Procedures for Ensuring Timely Completion of Monitoring Reports to States**

GAO's audit found that OCS did not issue monitoring reports to any of the six States that it visited during FYs 2003 and 2004. Although OCS monitoring procedures directed staff to write reports after visits and to send draft reports to State agencies for review and comment before final issuance, the procedures did not include specific timeframes for completing these steps.

We found that OCS had established policies and procedures for ensuring the timely completion of monitoring reports to States. Specifically, OCS had developed procedures for ensuring that the timeframe from the beginning of the monitoring process until the issuance of the final report was approximately 180 days. In addition, the State assessment team now develops detailed work plans for each State assessment, including internal deadlines for the State to provide information and a response to the draft report.

After our fieldwork, OCS provided us with written policies and procedures for ensuring the timely completion of monitoring reports to States.

## **Establish Written Policies and Procedures for Maintaining Documentation on Monitoring Visits**

GAO's audit found that OCS's file management policies did not include procedures for maintaining documentation on monitoring visits to States. Although OCS officials agreed that program files should include such documentation, OCS could not locate key documents related to its monitoring visits in 2003 and 2004. OCS officials stated that staff responsible for carrying out monitoring activities had retired and that the files could not be located.

We found that OCS had established policies and procedures for maintaining documentation on monitoring visits. Specifically, OCS had implemented procedures for maintaining hardcopy and electronic documentation for the nine States that it had visited since GAO released its report. OCS officials stated that they also had contracted with record management specialists and implemented a system that improved OCS's ability to account for all official monitoring documentation.

After our fieldwork, OCS provided us with written policies and procedures for maintaining documentation on monitoring visits.

## **Establish Written Policies and Procedures for Ensuring the Timely Issuance of Annual Reports to Congress**

GAO's audit found that OCS had not been timely in issuing its annual reports to Congress, as section 678E(b)(3) of the CSBG Act requires.

We found that OCS had established policies and procedures for ensuring the timely issuance of reports to Congress. Since GAO's review, OCS had issued three annual reports to Congress

through a process managed by the ACF Office of Legislative Affairs and Budget and the HHS Office of the Secretary.

After our fieldwork, OCS provided us with written policies and procedures for ensuring the timely issuance of annual reports to Congress.