



October 26, 2010

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

FROM: /Lori S. Pilcher/
Assistant Inspector General for Grants, Internal Activities,
and Information Technology Audits

SUBJECT: Review of Connecticut's Monitoring of the Community Services Block Grant Program (A-01-10-02502)

Attached, for your information, is an advance copy of our final report on the *Review of Connecticut's Monitoring of the Community Services Block Grant Program*. We will issue this report to the State of Connecticut's Department of Social Services within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov or Michael Armstrong, Regional Inspector General for Audit Services, at (617) 565-2689 or through email at Michael.Armstrong@oig.hhs.gov. Please refer to report number A-01-10-02502.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

October 27, 2010

Report Number: A-01-10-02502

Ms. Claudette Beaulieu
Deputy Commissioner
State of Connecticut Department of Social Services
25 Sigourney Street
Hartford, CT 06106

Dear Ms. Beaulieu:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Connecticut's Monitoring of the Community Services Block Grant Program*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through email at George.Nedder@oig.hhs.gov. Please refer to report number A-01-10-02502 in all correspondence.

Sincerely,

/Michael J. Armstrong/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Rick Borseti
Grants Management Officer
Administration for Children and Families
U.S. Department of Health & Human Services
JFK Federal Building, Room 2000
15 New Sudbury Street
Boston, MA 02203

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF CONNECTICUT'S
MONITORING OF THE COMMUNITY
SERVICES BLOCK GRANT PROGRAM**



Daniel R. Levinson
Inspector General

October 2010
A-01-10-02502

Office of Inspector General

<http://oig.hhs.gov>

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 & 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 Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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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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Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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 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 the causes and conditions of poverty in communities. The CSBG funds a State-administered network of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$680 million in 2009 and 2010 through the CSBG program.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (the Recovery Act), provides \$1 billion in additional CSBG funds for fiscal years (FY) 2009 and 2010.

Community Services Block Grant Program in Connecticut

In Connecticut, the Department of Social Services, Office of Strategic Planning (the State agency) administers the CSBG program. The State agency is the grantee that received approximately \$8.4 million in regular CSBG funds each year for 2009 and 2010. The Recovery Act provided the State agency approximately \$12 million in additional CSBG funds for FYs 2009 and 2010 to 13 eligible entities. These entities comprised 12 Community Action Agencies (CAAs) and 1 Limited Purpose Agency.

Federal Requirements for State Monitoring of Community Service Block Grant Funds

Pursuant to section 678(B) of the CSBG Act, the State agency must monitor eligible entities by conducting full onsite reviews of each eligible entity at least once during each 3-year period. A State agency conducts these reviews to determine whether eligible entities meet the performance goals, administrative standards, financial requirements, and other requirements of its State.

After the Recovery Act was implemented, the Administration for Children and Families (ACF) issued guidance (IM-112, August 18, 2009) that requires State agencies to review risk assessments conducted by eligible entities and provide the risk assessments to the Office of Community Services with State comments.

OBJECTIVE

Our objective was to determine whether the State agency established adequate internal controls for assessing and monitoring of CSBG funds provided to CAAs under the Recovery Act.

SUMMARY OF FINDINGS

The State agency did not establish adequate internal controls for assessing and monitoring CSBG funds provided to CAAs under the Recovery Act. Specifically, State agency did not:

- conduct full onsite reviews at each CAA within a 3-year period and
- ensure that risk assessments performed by CAAs were accurate before they were submitted to ACF.

These deficiencies occurred because the State agency did not have adequate written policies and procedures for its onsite reviews. In addition, the State agency informed us that it had a decrease in staff that limited its monitoring of the CAAs.

Without adequate internal controls, Recovery Act and CSBG program funds may be at risk for fraud, waste, and abuse at eligible entities.

RECOMMENDATIONS

We recommend that the State agency:

- develop and implement adequate written policies and procedures to ensure compliance with the CSBG Act and
- conduct full onsite reviews at its CAAs in a timely manner.

STATE AGENCY COMMENTS

In its written response, the State agency concurs with the findings and recommendations of the draft report. The State agency's comments are included in their entirety in the Appendix.

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INTRODUCTION

BACKGROUND

Federal Community Services Block Grant Program

The Community Services Block Grant Program (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 the causes and conditions of poverty in communities. The CSBG funds a State-administered network of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$680 million in 2009 and 2010 through the CSBG program.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (the Recovery Act), provides for \$1 billion in additional CSBG funds for fiscal years (FY) 2009 and 2010. As with annually appropriated CSBG funds, Recovery Act funds may be used to reduce poverty, to revitalize low-income communities, and to help low-income families in rural and urban areas become self-sufficient.

Office of Community Services

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

Community Services Block Grant Program in Connecticut

In Connecticut, the Department of Social Services, Office of Strategic Planning (the State agency) administers the CSBG program. The State agency received approximately \$8.4 million in regular CSBG funds each year for 2009 and 2010. The Recovery Act provided the State agency with approximately \$12 million in additional CSBG funds for FYs 2009 and 2010. Of the \$28.8 million, \$27 million passed through to the State's eligible entities. Approximately \$1.8 million was retained by the State agency to monitor these eligible entities to ensure compliance with applicable Federal requirements and achievement of performance goals, as required by 45 CFR § 92.40(a).

Connecticut has 13 entities that are eligible to receive CSBG funds (eligible entities). These entities comprised 12 Community Action Agencies (CAA) and 1 Limited Purpose Agency (LPA). The CAAs provide direct services to residents throughout Connecticut. Examples of services include those related to employment, income management, housing assistance, nutrition, and health. The CAAs use the majority of CSBG funding for planning, coordination, and administrative support activities that are difficult to fund through program grants. The LPA provides technical assistance and training to the CAAs.

Office of Inspector General Audits

On December 31, 2009, we issued a memorandum¹ to ACF alerting it that CSBG program funds made available under the Recovery Act, might be at risk for fraud, waste, and abuse at certain CAAs that State agencies designated as “vulnerable” or “in crisis.” We reviewed ACF records in November 2009 and identified 20 CAAs in 16 States that the States had reported as vulnerable or in crisis as of October 30, 2009. These 20 CAAs are scheduled to receive a total of \$44.9 million in Recovery Act funds.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency established adequate internal controls for assessing and monitoring of CSBG funds provided to CAAs under the Recovery Act.

Scope

Our review covered the period April 1, 2009, through March 31, 2010. We only reviewed and assessed the State agency’s internal controls considered necessary to achieve our audit objective.

We performed our fieldwork in May 2010 at the State agency’s offices in Hartford, Connecticut.

Methodology

To accomplish our objective, we:

- reviewed Federal laws, regulations, and policies related to Federal grant awards and the CSBG program,
- reviewed the State’s application and plan for Recovery Act funds,
- reviewed the State agency’s files on its full onsite reviews of all the eligible entities,
- reviewed the eligible entities’ annual audit reports for FYs ended 2007 through 2008 and FY 2009 when available,
- reviewed risk assessments from October 2009 for all the eligible entities, and
- discussed our preliminary findings with the State agency.

¹ Office of Inspector General, “Alert: Community Service Block Grant Recovery Act Funding for Vulnerable and In-Crisis Community Action Agencies” (A-01-09-02511). Available at: <http://oig.hhs.gov/oas/reports/region1/10902511.pdf>. Accessed May 20, 2010.

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.

FINDINGS AND RECOMMENDATIONS

The State agency did not establish adequate internal controls for assessing and monitoring CSBG funds provided to CAAs under the Recovery Act. Specifically, the State agency did not:

- conduct full onsite reviews at each CAA within a 3-year period and
- ensure that risk assessments performed by CAAs were accurate before they were submitted to ACF.

These deficiencies occurred because the State agency did not have adequate written policies and procedures for its onsite reviews. In addition, the State agency informed us that it had a decrease in staff that limited its monitoring of the CAAs.

Without adequate internal controls, Recovery Act and CSBG program funds may be at risk for fraud, waste, and abuse at eligible entities.

FULL ONSITE REVIEWS

Federal Regulations

Section 678(B) of the CSBG Act requires the State agency to monitor eligible entities by conducting full onsite reviews of each eligible entity at least once during each 3-year period. The State agency conducts these reviews to determine whether eligible entities meet the performance goals, administrative standards, financial requirements, and other requirements of Connecticut.

The Recovery Act allows States and the eligible entities that administer the CSBG program at the local level to increase individual eligibility for services furnished by the program during FYs 2009 and 2010 up to 200 percent of the official poverty guidelines set by HHS. This eligibility adjustment is an increase from the 125 percent of poverty level in the CSBG Act (§ 673(2)).

State Agency's Compliance With Federal Onsite Review Regulations

The State agency did not conduct full onsite reviews at all 13 of its entities within the 3-year period as required. Specifically:

- The State did not review 12 of its 13 eligible entities within the most recent 3-year period. As of the end of our fieldwork, the State agency was between 8 and 9 months late in conducting all 12 triennial onsite reviews. For the remaining eligible entity, the LPA, the State agency could not find evidence that this entity had been reviewed within the last 6 years.
- The State did not ensure that CSBG funds were used to provide services to eligible clients. Specifically, the State agency did not test whether the eligible entities were in compliance with the eligibility requirements related to the Federal poverty level for the CSBG program.

RISK ASSESSMENTS TO THE ADMINISTRATION FOR CHILDREN AND FAMILIES

Federal Requirements

ACF issued the CSBG Information Memoranda (IM-112), on August 18, 2009, which says that State agencies are expected to review risk assessments conducted by eligible entities and provide the risk assessments to OCS with States' comments. Each eligible entity must answer a series of questions, including whether or not they had material weaknesses, other findings not corrected, or other problems. The State agencies may either certify that they concur with the risk assessments of eligible entities or may provide comments on additional areas of risk.

State Agency's Compliance With Federal Risk Assessment Requirements

The State agency did not ensure that the information it received from its eligible entities was accurate before it certified and submitted the results to ACF. Specifically, we found that 4 out of the 13 eligible entities, receiving \$4.3 million in Recovery act funds, did not report in their risk assessments' unresolved audit findings from previous annual audit reports. The unresolved audit findings not reported to ACF were:

- administrative salaries were not supported by personnel activity reports,
- no complete physical inventory was conducted,
- assets were improperly accounted for, and
- common costs were improperly allocated.

Lack of Policies and Procedures and Resources

These deficiencies occurred because the State agency did not have adequate written policies and procedures to ensure compliance with the CSBG Act. The State agency indicated that it did not have the resources to conduct complete and timely triennial reviews. Specifically, the State agency informed us that they had an overall, 50-percent decrease in staff and therefore did not have the resources to develop these policies and procedures or to provide financial analysis and monitoring of the CAAs.

Without adequate internal controls, Recovery Act and CSBG program funds may be at risk for fraud, waste, and abuse at eligible entities.

RECOMMENDATIONS

We recommend that the State agency:

- develop and implement adequate written policies and procedures to ensure compliance with the CSBG Act and
- conduct full onsite reviews at its CAAs in a timely manner.

STATE AGENCY COMMENTS

In its written response, the State agency concurs with the findings and recommendations of the draft report. The State agency's comments are included in their entirety in the Appendix.

APPENDIX



STATE OF CONNECTICUT
DEPARTMENT OF SOCIAL SERVICES

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Deputy Commissioner

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October 4, 2010

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Office of Inspector General
Office of Audit Services, Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

RE: Report Number: A-01-10-02502

Dear Mr. Armstrong:

The Department of Social Services has received the draft report entitled *Review of Connecticut's Monitoring of the Community Services Block Grant*, dated September 27, 2010. We are in concurrence with the findings cited and will begin development of concrete corrective action plans for implementing the recommendations included in the report in collaboration with the Department of Health & Human Services, Office of Community Services.

Sincerely,

Claudette J. Beaulieu
Deputy Commissioner

Cc: Michael P. Starkowski
John McCormick
Anthony Judkins
George Nedder