



March 24, 2011

**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 Puerto Rico's Monitoring of the Community Services Block Grant  
Program (A-02-10-02012)

Attached, for your information, is an advance copy of our final report on Puerto Rico's Monitoring of the Community Services Block Grant Program. We will issue this report to the Commonwealth of Puerto Rico's Department of the Family within 5 business days.

If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov) or James P. Edert, Regional Inspector General for Audit Services, at (212) 264-4620 or through email at [James.Edert@oig.hhs.gov](mailto:James.Edert@oig.hhs.gov). Please refer to report number A-02-10-02012.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

---

Office of Audit Services  
Jacob Javits Federal Building  
26 Federal Plaza, Room 3900  
New York, NY 10278

March 25, 2011

Report Number: A-02-10-02012

Ms. Yanitsia Irizarry Méndez  
Secretary  
Puerto Rico Department of the Family  
P.O. Box 11398  
San Juan, PR 00910-1398

Dear Ms. Irizarry Méndez:

Enclosed is the U.S. Department of Health & Human Services, Office of Inspector General (OIG), final report entitled *Review of Puerto Rico'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.

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 direct them to the HHS action official. Please refer to report number A-02-10-02012 in all correspondence.

Sincerely,

/James P. Edert/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct reply to HHS Action Official:**

Mr. Oscar Tanner  
Director, Division of Financial Integrity  
Administration for Children and Families  
6th Floor East Wing, Aerospace Building  
370 L'Enfant Promenade, SW  
Washington, DC 20447

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

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



Daniel R. Levinson  
Inspector General

March 2011  
A-02-10-02012

# *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:

## *Office of Audit Services*

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.

## *Office of Evaluation and Inspections*

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.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *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) was reauthorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P. L. No. 105-285 (CSBG Act), to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health & Human Services, the Administration for Children and Families (ACF), Office of Community Services administers the CSBG program. The CSBG funds a State-administered network of more than 1,000 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$681 million in 2009 and \$680 million in 2010 through the CSBG.

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received an additional \$1 billion for the CSBG program for States to alleviate the causes and conditions of poverty in communities.

Section 676(a) of the CSBG Act requires each State to designate an appropriate State agency to act as the lead agency for carrying out the State's CSBG activities. In the Commonwealth of Puerto Rico, the Department of Family (the department) is the CSBG lead agency. For fiscal years (FY) 2009 and 2010, the department received approximately \$58.6 million in regular CSBG funds and \$42 million in additional Recovery Act CSBG funds. During this period, the department oversaw four eligible CSBG service providers.

Pursuant to section 678(B)(a) of the CSBG Act, the CSBG lead agency must conduct a full onsite review of each eligible CSBG service provider at least once during each 3-year period. The lead agency must also conduct followup reviews to providers that fail to meet the goals, standards, and requirements established by the State. Lead agencies conduct these reviews to determine whether eligible providers meet the State's performance goals, administrative standards, financial management requirements, and other requirements.

### **OBJECTIVE**

Our objective was to determine whether the department established adequate internal controls for assessing and monitoring regular and Recovery Act CSBG funds provided to eligible CSBG service providers.

### **SUMMARY OF FINDING**

The department did not establish adequate internal controls for assessing and monitoring regular and Recovery Act CSBG funds provided to eligible CSBG service providers. Specifically, the department did not conduct full onsite reviews at the four eligible CSBG service providers within a 3-year period.

Without full onsite reviews, the department could not adequately determine whether the providers met performance goals, administrative standards, and financial management requirements.

## **RECOMMENDATION**

We recommend that the department conduct full onsite reviews at the four eligible CSBG service providers in a timely manner.

## **DEPARTMENT OF THE FAMILY COMMENTS**

In its written comments on our draft report, the department concurred with our finding and described steps that it has taken or plans to take to address our recommendation. The department's comments are included in their entirety as the Appendix.

# TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
Community Services Block Grant Program .....	1
Community Services Block Grant Program in Puerto Rico .....	1
Federal Requirements .....	1
Office of Inspector General Audits.....	2
<b>OBJECTIVE, SCOPE, AND METHODOLOGY</b> .....	2
Objective.....	2
Scope.....	2
Methodology.....	2
<b>FINDING AND RECOMMENDATION</b> .....	3
<b>FULL ONSITE REVIEWS</b> .....	3
<b>RECOMMENDATION</b> .....	3
<b>DEPARTMENT OF THE FAMILY COMMENTS</b> .....	3
<b>APPENDIX</b>	
<b>DEPARTMENT OF THE FAMILY COMMENTS</b>	

## **INTRODUCTION**

### **BACKGROUND**

#### **Community Services Block Grant Program**

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, to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health & Human Services, the Administration for Children and Families (ACF), Office of Community Services administers the CSBG program. 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 \$681 million in 2009 and \$680 million in 2010 through the CSBG.

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received an additional \$1 billion for the CSBG program for States to alleviate the causes and conditions of poverty in communities.

#### **Community Services Block Grant Program in Puerto Rico**

Section 676(a) of the CSBG Act requires each State to designate an appropriate State agency to act as the lead agency for carrying out the State's CSBG activities. In the Commonwealth of Puerto Rico, the Department of the Family (the department) is the CSBG lead agency.

For FYs 2009 and 2010, the department received approximately \$58.6 million in regular CSBG funds and \$42.1 million in additional Recovery Act funds. During this period, the department oversaw four eligible CSBG service providers. Of the \$100.7 million in regular and Recovery Act funds, the department passed through \$94.7 million to the four eligible CSBG service providers in Puerto Rico. The department retained the remaining \$6 million for administrative costs, discretionary allocations, and benefits enrollment coordination activities.

#### **Federal Requirements**

Pursuant to section 678(B)(a) of the CSBG Act, the CSBG lead agency must conduct a full onsite review of each eligible CSBG service provider at least once during each 3-year period. The lead agency must also conduct follow-up reviews to providers that fail to meet the goals, standards, and requirements established by the State. Lead agencies conduct these reviews to determine whether eligible providers meet the State's performance goals, administrative standards, financial management requirements, and other requirements.

## **Office of Inspector General Audits**

On December 31, 2009, we issued a memorandum to ACF alerting it that CSBG program funds made available under the Recovery Act, may be at risk for fraud, waste, and abuse at certain CAAs that State agencies designated as “vulnerable” or “in crisis.”<sup>1</sup> As part of a nationwide series of reviews, we will be issuing separate reports on the financial capability of three CSBG service providers in Puerto Rico.

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

### **Objective**

Our objective was to determine whether the department established adequate internal controls for assessing and monitoring regular and Recovery Act CSBG funds provided to eligible CSBG service providers.

### **Scope**

Our review covered the period April 1, 2007, through March 31, 2010. We limited our review to the department’s internal controls that pertained directly to our objective. We performed our fieldwork during May 2010 at the department’s offices in San Juan, Puerto Rico.

### **Methodology**

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed the department’s application and plan for Recovery Act CSBG funds;
- held discussions with department officials to gain an understanding of the department’s monitoring of the CSBG program;
- reviewed department files to determine whether onsite reviews were performed at eligible entities; and
- reviewed the eligible CSBG service providers’ annual OMB Circular A-133 audit reports for FYs ended 2006 through 2009.<sup>2</sup>

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

---

<sup>1</sup> Alert: *Community Service Block Grant Recovery Act Funding for Vulnerable and In-Crisis Community Action Agencies* (A-01-09-02511).

<sup>2</sup> OMB Circular A-133 audit reports were not available for one of the CSBG service providers.

based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

### **FINDING AND RECOMMENDATION**

The department did not establish adequate internal controls for assessing and monitoring regular and Recovery Act CSBG funds provided to eligible CSBG service providers. Specifically, the department did not conduct full onsite reviews at the four eligible CSBG service providers within a 3-year period. As a result, the department could not adequately determine whether the providers met performance goals, administrative standards, and financial management requirements.

#### **FULL ONSITE REVIEWS**

Pursuant to section 678(B)(a) of the CSBG Act, the CSBG lead agency must conduct a full onsite review of each eligible CSBG service provider at least once during each 3-year period.

Contrary to this requirement, the department did not conduct full onsite reviews at the four service providers within the required 3-year period.

Without full onsite reviews, the department could not adequately determine whether the providers met performance goals, administrative standards, and financial management requirements. Further, Recovery Act and CSBG program funds may be at risk for fraud, waste, and abuse.

#### **RECOMMENDATION**

We recommend that the department conduct full onsite reviews at the four eligible CSBG service providers in a timely manner.

#### **DEPARTMENT OF THE FAMILY COMMENTS**

In its written comments on our draft report, the department concurred with our finding and described steps that it has taken or plans to take to address our recommendation. The department's comments are included in their entirety as the Appendix.

# **APPENDIX**

**APPENDIX: DEPARTMENT OF THE FAMILY COMMENTS**



Gobierno de Puerto Rico  
DEPARTAMENTO DE LA FAMILIA

**ADMINISTRACIÓN DE FAMILIAS Y NIÑOS**

February 17, 2011

James P. Edert  
Regional Inspector General  
Audit Services  
Region II  
Jacob Javits Federal Building  
26 Federal Plaza- Room 3900  
New York, NY 10278

Dear Mr. Edert:

In response to the U.S. Department of Health & Human Services, Office of Inspector General (OIG), draft report entitled Review of Puerto Rico's Monitoring of the Community Services Block Grant Program we concur with the finding that the Department did not conduct full onsite reviews at the four eligible CSBG service providers within a 3 year period.

Regarding this finding we inform that we developed a schedule and a plan in order to work with the onsite reviews at the four eligible CSBG service providers. At this moment we are in the process of evaluating the onsite review drafts to be discussed with each eligible entity. This information was discussed with OIG monitors in the exit conference on July 21, 2010.

Any further question, please do not hesitate to contact me at (787) 625-4900 x 1243.

Cordially,

A handwritten signature in blue ink that reads 'Evelyn Velázquez-Vega'.

Evelyn Velázquez-Vega  
Prevention Services in Community Administrator