



January 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: Results of Limited Scope Review at Acción Social de Puerto Rico, Inc.
(A-02-10-02014)

The attached final report provides the results of our limited scope review at Acción Social de Puerto Rico, Inc. Pursuant to the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5), the Office of Inspector General (OIG) provides oversight of covered funds to prevent fraud, waste, and abuse.

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 contact me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. We look forward to receiving your final management decision within 6 months. Please refer to report number A-02-10-02014 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE
REVIEW AT ACCIÓN SOCIAL DE
PUERTO RICO, INC.**



Daniel R. Levinson
Inspector General

January 2011
A-02-10-02014

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.

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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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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.

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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) program was authorized 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 program funds a State-administered network of more than 1,000 local Community Action Agencies (agencies) that create, coordinate, and deliver programs and services to low-income Americans. The agencies provide services and activities addressing employment, education, housing, nutrition, emergency services, health, and better use of available income.

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.

The Puerto Rico Department of the Family (the department) acts as the lead agency for purposes of carrying out Commonwealth of Puerto Rico activities for the CSBG program. The department is responsible for approving the Commonwealth's agencies' Recovery Act grant applications, and monitoring them for compliance with program regulations. For fiscal year (FY) 2009, the department was awarded an additional \$42,122,412 in Recovery Act funds for the Commonwealth's CSBG program.

Acción Social de Puerto Rico, Inc. (ASPRI), a private, nonprofit organization, provides education, employment, emergency assistance, nutrition, social services, health care, and other related services throughout Puerto Rico. ASPRI is one of four community action agencies in Puerto Rico. For FY 2009, the department awarded ASPRI \$18,070,515 in CSBG Recovery Act funds.

OBJECTIVE

Our objective was to assess ASPRI's financial viability, capacity to manage and account for Federal funds, and capability to operate the CSBG program in accordance with Federal regulations.

SUMMARY OF FINDINGS

Based on our assessment, ASPRI is financially viable and has the capacity to manage and account for Federal funds and to operate a CSBG program in accordance with Federal regulations. However, we identified certain weaknesses relating to the adequate safeguarding of Federal funds, accounting policies and procedures, and a whistleblower process.

RECOMMENDATION

In determining whether ASPRI is appropriately managing and accounting for the Recovery Act and regular CSBG grant funding, we recommend that ACF consider the information presented in this report in assessing ASPRI's ability to operate the CSBG program in accordance with Federal regulations.

ACCIÓN SOCIAL DE PUERTO RICO, INC., COMMENTS

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

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INTRODUCTION

BACKGROUND

Community Services Block Grant

The Community Services Block Grant (CSBG) program was authorized 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. 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 program funds a State-administered network of more than 1,000 local Community Action Agencies¹ (agencies) that create, coordinate, and deliver programs and services to low-income Americans. These agencies provide services and activities addressing employment, education, housing, nutrition, emergency services, health, and better use of available income.

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. CSBG Recovery Act funds are distributed to agencies using the existing statutory formula.

Puerto Rico Department of the Family

The Puerto Rico Department of the Family (the department) acts as the lead agency for purposes of carrying out the Commonwealth of Puerto Rico's activities for the CSBG program. The department is responsible for approving Commonwealth agencies' Recovery Act grant applications, and monitoring the agencies for compliance with program regulations. For fiscal year (FY) 2009, the department was awarded an additional \$42,122,412 in Recovery Act funds for the Commonwealth's CSBG program.

Acción Social de Puerto Rico, Inc.

Acción Social de Puerto Rico, Inc. (ASPRI), a private, nonprofit organization, provides education, employment, emergency assistance, nutrition, social services, health care, and other related services throughout Puerto Rico. ASPRI is one of four community action agencies in Puerto Rico. For FY 2009, the department awarded ASPRI \$18,070,515 in CSBG Recovery Act funds.

Requirements for Federal Grantees

Pursuant to 45 CFR part 74, grantees of Federal awards must implement written accounting policies and procedures and maintain financial systems that provide for accurate and complete

¹ Community Action Agencies are non-profit private and public organizations established under the Economic Opportunity Act of 1964 to fight America's War on Poverty.

reporting of grant related financial data, effective control over grant funds, and allocation of costs to all benefitting programs. Grantees must also establish written procurement procedures. In addition, pursuant to 45 CFR § 74.27, the allowability of costs incurred by nonprofit organizations is determined in accordance with the provisions of Office of Management and Budget Circular A-122, *Cost Principles for Nonprofit Organizations*. The CSBG Act establishes the CSBG program and sets the requirements and guidelines for CSBG funds.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to assess ASPRI's financial viability, capacity to manage and account for Federal funds, and capability to operate the CSBG program in accordance with Federal regulations.

Scope

We conducted a limited review of ASPRI's financial viability, financial management system, and related policies and procedures. Therefore, we did not perform an overall assessment of ASPRI's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective.

We performed our fieldwork at ASPRI's central offices in Guaynabo, Puerto Rico, during July 2010.

Methodology

To accomplish our objective, we:

- confirmed that ASPRI is not excluded from receiving Federal funds;
- reviewed relevant Federal laws, regulations, and guidance;
- reviewed ASPRI's application and implementation of the grant award for the Recovery Act funding;
- reviewed ASPRI's policies and procedures related to the CSBG program;
- reviewed ASPRI's by-laws, minutes from its Board of Director meetings, the composition of the board, and organizational chart;
- performed audit steps to assess the adequacy of ASPRI's current financial systems; and

- reviewed ASPRI's audited financial statements and supporting documentation for the period October 1, 2005, through September 30, 2009.

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 RECOMMENDATION

Based on our assessment, ASPRI is financially viable and has the capacity to manage and account for Federal funds and to operate a CSBG program in accordance with Federal regulations. However, we identified certain weaknesses relating to the adequate safeguarding of Federal funds, accounting policies and procedures, and a whistleblower process.

ADEQUATE SAFEGUARDING OF FEDERAL FUNDS

Pursuant to 45 CFR § 74.21(b)(3), grantees must provide effective control over and accountability of all funds, property, and other assets to adequately safeguard all assets. In addition, pursuant to 45 CFR § 74.22(i)(2), grantees are required to deposit and maintain advances of Federal funds in insured accounts whenever possible. Federal Deposit Insurance Corporation (FDIC) policy states that deposits owned by a corporation, partnership, or unincorporated association are insured up to \$250,000 at a single bank.

ASPRI's CSBG and CSBG Recovery Act bank account balances exceeded the FDIC insured limit. For example, the closing balances for ASPRI's CSBG and CSBG Recovery Act bank accounts for the period ending May 2010 were \$1,891,175 and \$12,279,319, respectively. ASPRI did not have effective internal controls over account balance limits to adequately safeguard deposits.

ACCOUNTING POLICIES AND PROCEDURES

Pursuant to 45 CFR part 74, grantees must implement written accounting policies and procedures and maintain financial systems that provide for accurate and complete reporting of grant-related financial data, effective control over grant funds, and allocation of costs to all benefitting programs.

ASPRI did not have written policies and procedures to address conflict resolution, cost allocation principles, and procurement conflict of interest. In addition, ASPRI did not have written policies and procedures to address the proper use of consultants.

WHISTLEBLOWER PROCESS

Section 1553(a) of the Recovery Act prohibits reprisals against an employee of an organization awarded Recovery Act funds for disclosing to appropriate authorities any credible evidence of (1) gross mismanagement of an agency contract or grant relating to covered funds; (2) a gross waste of covered funds; (3) a substantial and specific danger to public health or safety related to the implementation or use of covered funds; (4) an abuse of authority related to the implementation or use of covered funds; or (5) a violation of law, rule, or regulation related to an agency contract (including the competition for or negotiation of a contract) or grant awarded or issued relating to covered funds. Pursuant to section 1553(e) of the Recovery Act, any employer receiving covered funds shall post notice of the rights and remedies provided for the protection of employees under this section.

ASPRI did not have a process established and communicated to officers, employees, and others about the rights and remedies provided by the Recovery Act for reporting suspected instances of wrongdoing by the company or employees of the company.

RECOMMENDATION

In determining whether ASPRI is appropriately managing and accounting for the Recovery Act and regular CSBG grant funding, we recommend that ACF consider the information presented in this report in assessing ASPRI's ability to operate the CSBG program in accordance with Federal regulations.

ACCIÓN SOCIAL DE PUERTO RICO, INC., COMMENTS

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

APPENDIX

ACCIÓN SOCIAL DE PUERTO RICO, INC., COMMENTS



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December 9, 2010

James P Edert
Regional Inspector General for Audit
Services
US DHHS - OIG
26 Federal Plaza
Room 3900
New York, NY 10278

Dear Mr. Edert:

We received the draft report entitled " Results of Limited Scope Review at Accion Social de Puerto Rico, Inc", conducted by the Office of Audit Services - Office of Inspector General.

The management of Accion Social of Puerto Rico concurred in the findings and recommendation enclosed in the report.

Finding 1 - Adequate Safeguarding of Federal Funds

The financial institution that we used to deposit our funds, comply with all the requirement of the Commissioner of Financial Institution in Puerto Rico and United States.

We are request and coordinate with Puerto Rico Administration of Families and Children's to revise the time and manner that we request the funds to the state in order to maintain a secure amount in the financial Institutions, and without any risk that affect the daily services to our participants. Currently, the state are revise the Procedures for the Administration of CSBG funds, including the state and the eligible entities.

Finding 2 - Accounting Policies and Procedures

We are revised our Company policies in order to include all procedures and politics necessary to maintain a proper administration of federal and state funds, that guarantee the continuity of our services to the participants. Currently, we are development new politics for conflict of interest, and use of consultants.

Finding 3 - Whistleblower Process

We are in process to disclose to all of our employees, officers and thirds persons related with the Company the rights and remedies provided by the ARRA Act for reporting suspected instances of wrongdoing by the company or employees of the Company.

Sincerely,


MS. Alicia Ramirez Suarez
Executive Director