



November 16, 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:** Results of Limited Scope Review at Municipality of Bayamón  
(A-02-10-02016)

The attached final report provides the results of our *Results of Limited Scope Review at Municipality of Bayamón*.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (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](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-02-10-02016 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**RESULTS OF LIMITED  
SCOPE REVIEW AT  
MUNICIPALITY OF BAYAMÓN**



Daniel R. Levinson  
Inspector General

November 2010  
A-02-10-02016

# ***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 & 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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# *Notices*

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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.

## **INTRODUCTION**

### **BACKGROUND**

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

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 Agencies<sup>1</sup> (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.

#### **Municipality of Bayamón**

The Municipality of Bayamón is the second most populated city in Puerto Rico. The city provides public safety, public works, culture, recreation, health and welfare, education and other government services. For FY 2009, the department awarded Bayamón \$1,853,385 in additional 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 reporting of grant related financial data, effective control over grant funds, and allocation of

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<sup>1</sup> 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.

costs to all benefitting programs. In addition, grantees must establish written procurement procedures. Grantees are also required to maintain inventory control systems and take periodic physical inventory of grant-related equipment. 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 the Bayamón'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 the Municipality's financial viability, financial management system, and related policies and procedures. Therefore, we did not perform an overall assessment of Bayamón's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective.

We performed our fieldwork at Bayamón's municipal office in Bayamón, Puerto Rico, during September 2010.

### **Methodology**

To accomplish our objective, we:

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

- reviewed Bayamón's audited financial statements and supporting documentation for the period October 1, 2006 to 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.

### **RESULTS OF REVIEW**

Based on our assessment, Bayamón is financially viable, has the capacity to manage and account for Federal funds, and is capable of operating the CSBG program in accordance with Federal regulations. Accordingly, this report has no recommendations.