



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION II
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July 27, 2012

Report Number: A-02-11-02012

Ms. Veronica Cruz
Director, Division of Community Services
New York State Department of State
99 Washington Avenue Suite 1020
Albany, NY 12231-0001

Dear Ms. Cruz:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *New York State Claimed Allowable Community Services Block Grant Recovery Act Costs for Newburgh Community Action Committee, Inc.* We will forward a copy of this report to the Administration for Children and Families (ACF) officials 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 ACF officials. Please refer to report number A-02-11-02012 in all correspondence.

Sincerely,

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

Enclosure

ACF Officials:

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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NEW YORK STATE CLAIMED
ALLOWABLE COMMUNITY SERVICES
BLOCK GRANT RECOVERY ACT COSTS
FOR NEWBURGH COMMUNITY
ACTION COMMITTEE, INC.**



Daniel R. Levinson
Inspector General

July 2012
A-02-11-02012

Office of Inspector General

<http://oig.hhs.gov>

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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 Omnibus Reconciliation Act of 1981, P.L. 97-35, (as amended in 1998 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. Within the U.S. Department of Health and 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 community action agencies (CAA) that deliver programs and services to low-income Americans. The CAAs provide services and activities addressing employment, education, better use of available income, housing, nutrition and health to combat the causes of poverty.

The American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), authorized supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization. The Recovery Act provided \$1 billion to the CSBG program for fiscal years (FY) 2009 and 2010. As with annually appropriated CSBG funds, Recovery Act funds were to be used to reduce poverty, revitalize low-income communities, and help low-income Americans. In addition, CSBG services funded by the Recovery Act were to be provided on or before September 30, 2010. Recovery Act grant funds were intended to cover additional costs for the same types of services.

New York State Department of State

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 New York State, the Department of State (the State) administers the CSBG program through the Division of Community Services. ACF awarded the State \$86,780,940 in Recovery Act funds for its CSBG program, which includes 52 CAAs.

Newburgh Community Action Committee, Inc.

Newburgh Community Action Committee, Inc. (Newburgh) is a nonprofit CAA that offers a variety of services, such as training, workshops, and seminars designed to improve the skills and lives of targeted low-income populations. The State awarded the Agency \$228,872 in CSBG grant funds for FY 2009,¹ and \$361,765 in CSBG Recovery Act funds for the period April 1, 2009, through September 30, 2010.

¹ New York State operates its CSBG program on an October to September fiscal year basis.

Federal Requirements for Grantees

Section 678D(a)(1)(B) of the CSBG Act requires that States that receive CSBG funds ensure that cost and accounting standards of the OMB apply to a recipient of the funds under this subtitle. As a result, ACF determined that non-profit Community Action Agencies are subject to 45 CFR pt. 74. Federal regulations (45 CFR § 74.27(a)) state that the allowability of costs for non-profit organizations will be determined in accordance with 2 CFR pt. 230 (formerly OMB Circular A-122), *Cost Principles for Non-Profit Organizations*.

Pursuant to 2 CFR pt. 230, App. A, A.2.a. and A.2.g., to be allowable under a Federal award, costs must be reasonable, allocable, and adequately documented.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the CSBG Recovery Act costs that the State claimed for Newburgh were allowable in accordance with applicable Federal requirements.

Scope

We reviewed \$339,758 of the State's claim of \$356,765² for Newburgh's program expenditures funded by the Recovery Act for the period April 1, 2009, through September 30, 2010. This review is part of a series of audits planned by the Office of Inspector General to provide oversight of funds provided by the Recovery Act. We limited our review of internal controls to those that were significant to the objective of our audit.

We performed our fieldwork at the State's offices in Albany, New York, and Newburgh's offices in Newburgh, New York.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- met with State officials to gain an understanding of the State's processes for distributing and monitoring grant awards;
- reviewed the State's Recovery Act notices of grant award;
- reviewed the terms and conditions of the CSBG Recovery Act agreement between the State and Newburgh;

² Although the State awarded Newburgh CSBG Recovery Act grant funds totaling \$361,765, the State only claimed \$356,765 of that amount.

- met with Newburgh officials to gain an understanding of their CSBG program, how Recovery Act funds were spent, and Newburgh's internal controls and financial management system;
- reviewed the State's 2010 monitoring reports on Newburgh;
- reviewed Newburgh's policies and procedures related to the CSBG program;
- reconciled Newburgh's CSBG Recovery Act quarterly expenditure reports to its accounting records;
- judgmentally selected and reviewed 384 transactions, totaling \$339,758 (\$134,229 in salary and related costs, and \$205,529 in non-salary costs);
- reviewed, for the selected transactions, Newburgh's documentation supporting the expenditures charged to the CSBG Recovery Act agreement;
- determined whether the expenditures charged to the CSBG Recovery Act agreement were allowable and in accordance with Federal requirements; and
- discussed our findings with Newburgh 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 objectives.

RESULTS OF REVIEW

CSBG Recovery Act costs that the State claimed for Newburgh were allowable in accordance with applicable Federal requirements. As a result, this report contains no recommendations.