



March 18, 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 West Virginia's Governor's Office of Economic Opportunity's Internal Controls for Assessing and Monitoring Community Services Block Grant Program Funds Received Under the American Recovery and Reinvestment Act (A-03-10-00250)

Attached, for your information, is an advance copy of our final report on West Virginia's Governor's Office of Economic Opportunity's internal controls for assessing and monitoring of Community Services Block Grant program funds received under the American Recovery and Reinvestment Act. We will issue this report to West Virginia's Governors' Office of Economic Opportunity 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](mailto:Lori.Pilcher@oig.hhs.gov) or Stephen Virbitsky, Regional Inspector General for Audit Services, at (215) 861-4470 or through email at [Stephen.Virbitsky@oig.hhs.gov](mailto:Stephen.Virbitsky@oig.hhs.gov). Please refer to report number A-03-10-00250.

Attachment



Office of Audit Services, Region III  
Public Ledger Building, Suite 316  
150 S. Independence Mall West  
Philadelphia, PA 19106-3499

March 22, 2011

Report Number: A-03-10-00250

Ms. Julie Alston  
Executive Director  
Governor's Office of Economic Opportunity  
950 Kanawha Boulevard East, Third Floor  
Charleston, WV 25301

Dear Ms. Alston:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of West Virginia's Governor's Office of Economic Opportunity's Internal Controls for Assessing and Monitoring Community Services Block Grant Program Funds Received Under the American Recovery and Reinvestment Act*. We will forward a copy of this report to the HHS action official noted below.

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-03-10-00250 in all correspondence.

Sincerely,

/Stephen Virbitsky/  
Regional Inspector General  
for Audit Services

Enclosure

**HHS Action Official:**

Oscar Tanner

Director, Division of Financial Integrity  
6<sup>th</sup> Floor East Wing, Aerospace Building  
370 L'Enfant Plaza Promenade S.W.  
Washington, D.C. 20447

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF WEST VIRGINIA'S  
GOVERNOR'S OFFICE OF  
ECONOMIC OPPORTUNITY'S  
INTERNAL CONTROLS FOR  
ASSESSING AND MONITORING  
COMMUNITY SERVICES BLOCK  
GRANT PROGRAM FUNDS  
RECEIVED UNDER THE  
AMERICAN RECOVERY AND  
REINVESTMENT ACT**



Daniel R. Levinson  
Inspector General

March 2011  
A-03-10-00250

# *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:

## *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*

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# *Notices*

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**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.

## **INTRODUCTION**

### **BACKGROUND**

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

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, to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health & Human Services (HHS), the Administration for Children and Families (ACF), Office of Community Services administers the CSBG program. The CSBG funds a State-administered network of eligible local entities, including more than 1,000 Community Action Agencies (CAA), that create, coordinate, and deliver programs and services to low-income Americans. States received \$680 million each of years 2009 and 2010 through the CSBG program.

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 West Virginia**

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 West Virginia, the Governor's Office of Economic Opportunity (the State agency) is the CSBG lead agency.

For each of fiscal years (FY) 2009 and 2010, the State agency received approximately \$7.8 million in regular CSBG funds. The State agency also received a one-time grant of \$11.2 million in Recovery Act CSBG funds. During this period, the State agency oversaw 16 eligible CAAs. Of the \$26.8 million total, \$25.1 million was passed through to the 16 CAAs. The State Agency retained approximately \$1.7 million to monitor the CAAs' compliance with applicable Federal requirements and performance goals.

#### **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 entity at least once during each 3-year period. For each newly designated entity, the lead agency must complete an onsite review after the completion of the first year in which the entity received CSBG funds. The lead agency must also conduct followup reviews of entities that fail to meet the goals, standards, and requirements established by the State. Finally, the lead agency must conduct other reviews, as appropriate. Lead agencies conduct these reviews to determine whether entities meet the State's performance goals, administrative standards, financial requirements, and other requirements.

As part of its implementation of the Recovery Act, ACF issued CSBG Information Memorandum 112 on August 18, 2009. The memorandum required lead agencies to review risk assessments conducted by the CAAs and to provide the risk assessments to ACF with comments.

## **Office of Inspector General Audits**

On December 31, 2009, we issued a memorandum<sup>1</sup> 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.” As part of a nationwide series of reviews, we will be issuing separate reports on the financial capability of three CAAs in West Virginia.

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

### **Objective**

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

### **Scope**

Our review covered the period April 1, 2009, through March 31, 2010. We limited our review to the State agency’s internal controls that pertained directly to our objective.

We performed our fieldwork during June 2010 at the State agency’s offices in Charleston, West Virginia.

### **Methodology**

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed the State agency’s application and plan for Recovery Act CSBG funds;
- interviewed State agency officials and reviewed the policies, procedures, and controls related to oversight of the CAAs;
- reviewed the State agency’s files on its full onsite reviews of all the CAAs;
- reviewed the CAAs’ annual Office of Management and Budget Circular A-133 audit reports for FYs ended 2007, 2008, or 2009; and

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

- reviewed the risk assessments that the State agency submitted to ACF for all CAAs.

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

## **RESULTS OF REVIEW**

The State agency established effective internal controls for assessing and monitoring regular and Recovery Act CSBG funds provided to CAAs. The State agency employed a CSBG Recovery Act Administrator responsible for the specific requirements of the Recovery Act, including compliance with reporting requirements and separate tracking of funds. The State agency conducted full onsite reviews at the 16 CAAs during the 3-year period and maintained frequent contact with CAAs. The State agency provided supporting documents to show that it followed its internal controls, and that its internal controls exceeded minimum requirements to ensure that Recovery Act funds were spent on a timely basis for planned eligible services. As required by CSBG Information Memorandum 112, the State agency reviewed risk assessments conducted by CAAs and provided the risk assessments to ACF with comments.