



January 19, 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 P.R.I.D.E. in Logan County, Inc.
(A-03-10-00253)

The attached final report provides the results of our limited scope review at P.R.I.D.E. in Logan County, Inc. In accordance with the American Recovery and Reinvestment Act of 2009, the Office of Inspector General (OIG) will provide oversight of covered funds to prevent fraud, waste and abuse.

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. We look forward to receiving your final management decision within 6 months. Please refer to report number A-03-10-00253 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE
REVIEW AT P.R.I.D.E. IN LOGAN
COUNTY, INC.**



Daniel R. Levinson
Inspector General

January 2011
A-03-10-00253

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.

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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. 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 program funds a State-administered network of more than 1,000 local Community Action Agencies (CAA) that create, coordinate, and deliver programs and services to low-income Americans. The CAAs 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 CAAs using the existing statutory formula.

West Virginia's Governor's Office of Economic Opportunity (GOEO) acts as the lead agency for carrying out State activities for the CSBG program. GOEO is responsible for approving the State's CAA Recovery Act grant applications, and monitoring the CAAs for compliance with program regulations. GOEO was awarded an additional \$11,193,235 in Recovery Act funds for the State of West Virginia's CSBG program.

P.R.I.D.E. in Logan County, Inc. (PRIDE), a private, nonprofit organization, provides services to over 2,000 households throughout Logan County, West Virginia. During fiscal year 2009, GOEO awarded PRIDE \$388,127 in Recovery Act CSBG funds, and \$274,456 in regular CSBG funds for a total of \$662,583 in CSBG grant funds. PRIDE also received Federal Head Start funds and funds from one other Federal Department.

OBJECTIVE

Our objective was to assess PRIDE's financial viability, capacity to manage and account for Federal funds and program performance requirements, and capability to operate its CSBG programs in accordance with Federal regulations.

SUMMARY OF FINDING

Based on our assessment, PRIDE is financially viable, has the ability to manage and account for Federal funds, and is capable of operating its CSBG programs in accordance with Federal regulations. However, we noted a weakness related to a lack of written policies and procedures for use of consultants.

RECOMMENDATION

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

P.R.I.D.E. IN LOGAN COUNTY, INC., COMMENTS

In a written response to our draft report, PRIDE concurred with our finding and described the actions it had taken to address them. PRIDE's comments are included in their entirety in the Appendix.

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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. 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 (HHS), 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 (CAA) that create, coordinate, and deliver programs and services to low-income Americans. The CAAs 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 CAAs using the existing statutory formula.

West Virginia's Governor's Office of Economic Opportunity

West Virginia's Governor's Office of Economic Opportunity (GOEO) acts as the lead agency for purposes of carrying out State activities for the CSBG program. GOEO is responsible for approving the State's CAA Recovery Act grant applications, and monitoring the CAAs for compliance with program regulations. GOEO was awarded an additional \$11,193,235 in Recovery Act funds for the State of West Virginia's CSBG program.

P.R.I.D.E. in Logan County, Inc.

P.R.I.D.E. in Logan County, Inc. (PRIDE), a private, nonprofit organization, provides services to over 2,000 households throughout Logan County, West Virginia. During fiscal year 2009, GOEO awarded PRIDE \$388,127 in Recovery Act CSBG funds, and \$274,456 in regular CSBG funds for a total of \$662,583 in CSBG grant funds. PRIDE also received Federal Head Start funds and funds from one other Federal Department.

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 costs to all benefitting programs. Nonprofit organizations that receive CSBG funds must comply with Federal cost principles found at 2 CFR part 230 (formerly Office of Management and Budget Circular A-122, *Cost Principles for Non-profit Organizations*). The HHS Grants Policy

Statement sets forth the general terms and conditions of HHS discretionary grants and cooperative agreement awards. 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 PRIDE's financial viability, capacity to manage and account for Federal funds and program performance requirements, and capability to operate its CSBG programs in accordance with Federal regulations.

Scope

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

We performed our fieldwork at PRIDE's administrative office in Logan, West Virginia, during July 2010.

Methodology

To accomplish our objective, we:

- confirmed that PRIDE is not excluded from receiving Federal funds;
- reviewed relevant Federal laws, regulations, and guidance;
- reviewed relevant State guidance;
- reviewed PRIDE's application and implementation of the grant awards for the Recovery Act funding;
- reviewed the findings related to the most recent State review;
- reviewed PRIDE's policies and procedures related to its CSBG programs;
- reviewed PRIDE's by-laws, minutes from the Board of Directors meetings, composition of Board, and organizational chart;
- performed audit steps to assess the adequacy of PRIDE's current financial systems; and

- reviewed PRIDE's audited financial statements and supporting documentation for the period January 1, 2006, through December 31, 2008.

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.

FINDING AND RECOMMENDATION

Based on our assessment, PRIDE is financially viable, has the ability to manage and account for Federal funds, and is capable of operating its CSBG programs in accordance with Federal regulations. However, we noted a weakness related to a lack of written policies and procedures for use of consultants.

POLICIES AND PROCEDURES

Pursuant to 45 CFR § 74.44(a) grantees of Federal awards must implement written procurement procedures for solicitation of goods and services. Exhibit 4 of the HHS Grants Policy Statement, page II-33, requires grantees to have written policies for the use of consultants.

At the time of our audit, PRIDE did not have written policies and procedures regarding the use of consultants, specifically, procedures for selecting the most qualified individual available, for determining the nature and extent of the services to be provided, and for ensuring that the fees are reasonable in accordance with 2 CFR part 230, App. B § 37. From January through December 2009, PRIDE reported costs of \$13,400 for consultants.

RECOMMENDATION

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

P.R.I.D.E. IN LOGAN COUNTY, INC., COMMENTS

In a written response to our draft report, PRIDE concurred with our finding and described the actions it had taken to address them. PRIDE's comments are included in their entirety in the Appendix.

APPENDIX

Appendix: P.R.I.D.E. in Logan County, Inc., Comments

October 7, 2010

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

RE: Report Number A-03-10-00253

To Whom It May Concern:

This letter is written in regard to your monitoring report dated October 5, 2010. We concur with your finding concerning our lack of a written policy and procedure regarding the use of consultants, specifically, a procedure for selecting the most qualified individual available, for determining the nature and extent of the services to be provided, and for ensuring that the fees are reasonable in accordance with regulations. We are currently developing a policy and procedure to address this issue.

We would also like to note that, although we do not have a formal consultant policy, we do follow our current policies and procedures concerning the purchase of goods and services, when seeking consultant services.

As instructed, we have also included an electronic version of this response. If you have further questions, please call me at 304-752-6868 or Lisha Whitt, our Director of Finance, at 304-752-2585.

Sincerely

/s/

Reginald Jones
Executive Director