

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MARYLAND CLAIMED ALLOWABLE
COMMUNITY SERVICES BLOCK GRANT
RECOVERY ACT COSTS FOR
UNITED COMMUNITIES AGAINST
POVERTY, INC.**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Stephen Virbitsky
Regional Inspector General**

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Office of Inspector General

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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 (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 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.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, provided an additional \$1 billion to ACF for the CSBG program in fiscal year (FY) 2009. Recovery Act funds for the CSBG program were distributed to CAAs using the existing statutory formula. 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. CSBG services funded by the Recovery Act were to be provided on or before September 30, 2010.

Maryland's Department of Housing and Community Development

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. Maryland's Department of Housing and Community Development (the State) acts as the lead agency to carry out State activities for the CSBG program. The State is responsible for approving CAA Recovery Act grant applications and monitoring the CAAs for compliance with program requirements. The State received \$13,719,817 in Recovery Act funds for the CSBG program.

United Communities Against Poverty, Inc.

United Communities Against Poverty, Inc. (United), a nonprofit organization, has provided services to individuals and families in Prince George's County, Maryland, since 1964. During FY 2009, the State awarded United \$563,183 in CSBG grant funds and \$907,817 in CSBG Recovery Act funds.

Federal Requirements for Grantees

Section 678D(a)(1)(B) of the CSBG Act requires that States receiving CSBG funds ensure that costs and accounting standards of the Office of Management and Budget (OMB) apply to a recipient of the funds under this subtitle. As a result, ACF determined that nonprofit Community Action Agencies are subject to 45 CFR part 74. The Federal regulations (45 CFR § 74.27(a))

state that the allowability of costs for nonprofit organizations will be determined in accordance with OMB's *Cost Principles for Non-Profit Organizations* (2 CFR part 230).¹

To be allowable under a Federal award, costs must be reasonable, allocable, and adequately documented (2 CFR part 230, App. A, A.2.a and A.2.g). Additionally, salary and wage costs should be based on documented payrolls and the distribution to awards must be supported by personnel activity reports (2 CFR part 230, App. B, 8.m(1)).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State claimed CSBG Recovery Act costs on behalf of United that were allowable under the terms of the grant and applicable Federal regulations.

Scope

We reviewed \$622,781 of the \$907,817 claimed by United under its CSBG Recovery Act agreement with the State for the period from July 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 did not perform an overall assessment of United's internal control structure. Rather, we reviewed only the internal controls that pertained to our objective.

We performed our fieldwork at United's office in Capitol Heights, Maryland, during August and September 2011.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal requirements;
- confirmed that United was not excluded from receiving Federal funds;
- reviewed the terms and conditions of the Recovery Act Grant Agreement between United and the State, and relevant State guidance;
- reviewed United's FY 2008 and 2010 State monitoring reports;
- reviewed United's policies and procedures related to its CSBG programs;
- reviewed United's by-laws and minutes from the Board of Directors meetings, and the

¹ OMB Circular A-122, *Cost Principles for Non-Profit Organizations* was relocated to 2 CFR part 230.

composition of the Board;

- reviewed United's FY 2008 Office of Management and Budget Circular A-133 audit reports and the attached Schedule of Findings and Questioned Costs;
- reviewed United's budget, general ledger, and each cost category as a percentage of total costs; and
- judgmentally selected a sample of transactions totaling \$622,781 (\$503,768 in subcontract and other costs, and \$119,013 in salaries) for detailed test, which included, but was not limited to, reviewing United's documentation supporting the transactions for allowability in accordance with terms of the grant and Federal requirements.

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 AUDIT

CSBG Recovery Act costs that the State claimed for United were allowable in accordance with the terms of the grant and Federal requirements. Consequently, this report has no recommendations.