



February 1, 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 Indiana's Monitoring of the Community Services Block Grant Program
(A-05-10-00060)

Attached, for your information, is an advance copy of our final report on the *Review of Indiana's Monitoring of the Community Services Block Grant Program*. We will issue this report to the Indiana Housing and Community Development Authority 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 or James C. Cox, Regional Inspector General for Audit Services, at (312) 353-2621 or through email at James.Cox@oig.hhs.gov. Please refer to report number A-05-10-00060.

Attachment



Office of Audit Services, Region 5
233 North Michigan Avenue
Suite 1360
Chicago, IL 60601

February 4, 2011

Report Number: A-05-10-00060

Ms. Sherry Seiwert
Executive Director
Indiana Housing and Community Development Authority
30 South Meridian Street
Suite 1000
Indianapolis, IN 46204

Dear Ms. Seiwert:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Indiana's Monitoring of the Community Services Block Grant Program*. 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-05-10-00060 in all correspondence.

Sincerely,

/James C. Cox/
Regional Inspector General
for Audit Services

Enclosure

Direct reply to HHS Action Official:

Mr. Oscar Tanner
Director, Division of Financial Integrity
Administration for Children and Families
Aerospace Building, 6th Floor East Wing
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF INDIANA'S MONITORING
OF THE COMMUNITY SERVICES
BLOCK GRANT PROGRAM**



**Daniel R. Levinson
Inspector General**

**February 2011
A-05-10-00060**

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.

Office of Counsel to the Inspector General

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.

INTRODUCTION

BACKGROUND

Federal Community Services Block Grant Program

The Community Services Block Grant (CSBG) 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 the causes and conditions of poverty in communities. The CSBG funds a State-administered network of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$680 million in 2009 and 2010 through the CSBG program.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (the Recovery Act), provides for \$1 billion in additional CSBG funds for fiscal years (FY) 2009 and 2010. As with annually appropriated CSBG funds, Recovery Act funds may be used to reduce poverty, to revitalize low-income communities, and to help low-income families in rural and urban areas become self-sufficient.

Office of Community Services

The U.S. Department of Health & Human Services (HHS), Administration for Children and Families (ACF), Office of Community Services (OCS), is responsible for overseeing the CSBG program. States and territories submit applications annually or bi-annually to OCS that include (1) a statement of goals and objectives, (2) information on the specific types of activities to be supported, (3) areas and categories of individuals to be served, and (4) criteria and methods for distributing funds to local agencies.

Community Services Block Grant Program in Indiana

In Indiana, the Indiana Housing and Community Development Agency (the State agency) administers the CSBG program. The State agency received approximately \$20.3 million in regular CSBG funds for the period FY 2009 and 2010. The Recovery Act provided the State agency with approximately \$14.5 million in additional CSBG funds for FYs 2009 and 2010. Of the \$34.8 million, \$32.6 million passed through to the State's eligible entities. Approximately \$2.2 million was retained by the State agency to monitor these eligible entities to ensure compliance with applicable Federal requirements and achievement of performance goals, as required by 45 CFR § 92.40(a).

Indiana has 24 entities that are eligible to receive CSBG funds (eligible entities). These entities comprised 24 Community Action Agencies (CAA). The CAAs provide direct services to residents throughout Indiana. Examples of services include those related to education, employment, housing, and emergency services.

Office of Inspector General Audits

On December 31, 2009, we issued a memorandum¹ to ACF alerting it that CSBG program funds made available under the Recovery Act, might be at risk for fraud, waste, and abuse at certain CAAs that State agencies designated as “vulnerable” or “in crisis.” We reviewed ACF records in November 2009 and identified 20 CAAs in 16 States that the States had reported as vulnerable or in crisis as of October 30, 2009. These 20 CAAs are scheduled to receive a total of \$44.9 million in Recovery Act funds.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

Our review covered the period April 1, 2009, through March 31, 2010. We only reviewed and assessed the State agency’s internal controls considered necessary to achieve our audit objective.

We performed our fieldwork in May 2010 at the State agency’s offices in Indianapolis, Indiana.

Methodology

To accomplish our objective, we:

- reviewed Federal laws, regulations, and policies related to Federal grant awards and the CSBG program,
- reviewed the State’s application and plan for Recovery Act funds,
- reviewed the State agency’s files on its full onsite reviews of all the eligible entities,
- reviewed risk assessments from October 2009 for all the eligible entities, and
- discussed our preliminary findings with the State agency.

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.

¹ Office of Inspector General, “Alert: Community Service Block Grant Recovery Act Funding for Vulnerable and In-Crisis Community Action Agencies” (A-01-09-02511). Available at: <http://oig.hhs.gov/oas/reports/region1/10902511.pdf>. Accessed November 15, 2010.

RESULTS OF REVIEW

The State agency established adequate internal controls for assessing and monitoring CSBG funds provided to CAAs under the Recovery Act. However, we did not perform procedures to determine the operating effectiveness of these controls. Accordingly, we express no opinion on the operating effectiveness of any aspects of the State agency's assessing and monitoring CSBG funds provided to CAAs under the Recovery Act, individually or in the aggregate.