

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**ILLINOIS CLAIMED POTENTIALLY  
UNALLOWABLE COMMUNITY  
SERVICES BLOCK GRANT COSTS  
FOR COMMUNITY ACTION  
PARTNERSHIP OF CENTRAL  
ILLINOIS' EXPENDITURES  
UNDER THE RECOVERY ACT**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



**Sheri L. Fulcher  
Regional Inspector General**

**April 2013  
A-05-12-00018**

# *Office of Inspector General*

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The 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. Final determination on these matters will be made by authorized officials of the awarding agency.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, provided \$1 billion to the Community Services Block Grant (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.

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 1,100 local community action agencies (CAA) that deliver programs and services to low-income Americans. The CAAs provide services addressing employment, education, better use of available income, housing, nutrition, and health to combat the causes of poverty.

In the State of Illinois, the Department of Commerce and Economic Opportunity, Office of Community Development (State agency), was responsible for approving CAAs' applications for CSBG Recovery Act funds and monitoring CAAs' compliance with program requirements. Under the Recovery Act, the State agency was awarded \$47,232,781 in CSBG funds for FYs 2009 and 2010.

Community Action Partnership of Central Illinois (CAPCIL) is a nonprofit CAA that has served low-income individuals in DeWitt, Fulton, Logan, Mason, Menard, and Piatt counties of Illinois since 1966. The mission of CAPCIL is to eliminate the causes and effects of poverty in Illinois through various programs. The State awarded CAPCIL \$614,065 in CSBG grant funds for FYs 2009 and 2010 and \$408,359 in CSBG Recovery Act funds for the period May 1, 2009, through September 30, 2010.

By accepting grant awards, States agree to comply with Federal regulations governing the administration of the grants, including compliance with various cost principles. The CSBG Act requires that States receiving CSBG funds ensure that cost and accounting standards of the Office of Management and Budget apply to a recipient of the funds. Nonprofit CAAs are subject to 45 CFR pt. 74. These regulations state that the allowability of costs will be determined in accordance with 2 CFR pt. 230, *Cost Principles for Non-Profit Organizations*. To be allowable under an award, costs must be reasonable for the performance of the award and allocable to the award under these principles.

### **OBJECTIVE**

Our objective was to determine whether selected CSBG Recovery Act costs that the State agency claimed for CAPCIL's program expenditures were allowable under the terms of the Recovery Act grant and applicable Federal regulations.

## **SUMMARY OF FINDINGS**

Of the \$197,854 of CSBG Recovery Act costs that the State agency claimed for CAPCIL's program expenditures and that we reviewed, \$77,070 was allowable under the terms of the Recovery Act grant and applicable Federal regulations. However, the State claimed \$120,784 in costs (or 61 percent of reviewed expenditures) to the grant that may be potentially unallowable, including:

- \$102,032 in indirect costs that may have been improperly charged as direct costs and
- \$18,752 in client assistance costs that may have been inadequately documented.

The potentially unallowable direct costs the State claimed on behalf of CAPCIL occurred because CAPCIL's method for allocating costs to Federal awards was not compliant with 2 CFR pt. 230. In addition, CAPCIL did not follow its own policies and procedures for maintaining adequate supporting documentation for client assistance costs.

## **RECOMMENDATIONS**

We recommend that the State agency:

- work with CAPCIL to determine what portion of the \$120,784 is allowable and refund to the Federal government any amount determined to be unallowable,
- ensure CAPCIL uses a method for allocating costs to Federal awards that is compliant with 2 CFR pt. 230, and
- ensure that CAPCIL follows its policies and procedures to assure that all costs charged to Federal awards are in compliance with applicable Federal regulations.

## **COMMUNITY ACTION PARTNERSHIP OF CENTRAL ILLINOIS COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, CAPCIL disagreed with our findings. In addition to its comments, CAPCIL provided documentation to support its opinion. After reviewing CAPCIL's comments and documentation, we maintain that our findings and recommendations are valid.

## **STATE COMMENTS**

In written comments on our draft report, the State partially concurred with our first finding and disagreed with our second finding.

Regarding our first finding on improperly charged direct costs, the State agrees that a portion of the costs are unallowable. The State worked with CAPCIL to determine the unallowable portion of improperly charged direct costs.

In response to our second finding on inadequately documented client assistance costs, the State believes that adequate documentation was provided to support the costs.

### **OFFICE OF INSPECTOR GENERAL RESPONSE**

After reviewing the State's comments, we maintain that our findings and recommendations are valid. Since an indirect cost rate was never negotiated with the cognizant Federal agency for the Recovery Act grant, we cannot determine the allowable portion of the improperly charged direct costs. The additional documentation provided does not adequately support the client assistance costs claimed due to discrepancies between CAPCIL's client files and the additional documentation as provided.

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## **INTRODUCTION**

### **BACKGROUND**

#### **The American Recovery and Reinvestment Act**

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, 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 Community Services Block Grant (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.

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

The CSBG program was reauthorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (CSBG Act), 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 and 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 1,100 local community action agencies (CAA) that deliver programs and services to low-income Americans. The CAAs provide services addressing employment, education, better use of available income, housing, nutrition, and health to combat the causes of poverty. Recovery Act grant funds were intended to cover additional costs for the same types of services.

#### **Illinois Department of Commerce and Economic Opportunity, Office of Community Development**

In the State of Illinois, the Department of Commerce and Economic Opportunity, Office of Community Development (State agency), was responsible for approving CAAs' applications for CSBG Recovery Act funds and monitoring CAAs' compliance with program requirements. Under the Recovery Act, the State agency was awarded \$47,232,781 in CSBG funds for FYs 2009 and 2010.

#### **Community Action Partnership of Central Illinois**

Community Action Partnership of Central Illinois (CAPCIL) is a nonprofit CAA that has served low-income individuals in DeWitt, Fulton, Logan, Mason, Menard, and Piatt counties of Illinois since 1966. The mission of CAPCIL is to eliminate the causes and effects of poverty in Illinois. CAPCIL offers programs in transportation, housing, education, youth services, energy, and economic development activities to assist individuals and families to improve the quality of their lives. The State awarded CAPCIL \$614,065 in CSBG grant funds for FYs 2009 and 2010 and

\$408,359 in CSBG Recovery Act funds for the period May 1, 2009, through September 30, 2010.

### **Federal Requirements for Grantees**

By accepting grant awards, States agree to comply with Federal regulations governing the administration of the grants, including compliance with various cost principles. Section 678D(a)(1)(B) of the CSBG Act, requires that States receiving CSBG funds ensure that cost 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 non-profit CAAs are subject to 45 CFR pt. 74. Federal regulations (45 CFR § 74.27(a)) state that the allowability of costs will be determined in accordance with 2 CFR pt. 230 (formerly OMB Circular A-122), *Cost Principles for Non-Profit Organizations*.

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

#### **Objective**

Our objective was to determine whether selected CSBG Recovery Act costs that the State agency claimed for CAPCIL's program expenditures were allowable under the terms of the Recovery Act grant and applicable Federal regulations.

#### **Scope**

We reviewed \$197,854 of the State agency's claim of \$408,359 for CAPCIL's program expenditures funded by the Recovery Act award for the period of May 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 through the Recovery Act. We did not review the overall internal control structure of the State agency or of CAPCIL. Rather, we reviewed only the internal controls that pertained to our objective.

We conducted our audit from November 2011 to April 2012 and performed fieldwork at CAPCIL's office in Lincoln, Illinois.

#### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed contractual agreements and amendments between the State agency and CAPCIL for the period of May 1, 2009, through September 30, 2010;
- reviewed CAPCIL's board of directors' meeting minutes;
- reviewed CAPCIL's accounting policies and procedures;

- reviewed CAPCIL’s cost allocation methodologies for shared costs;
- interviewed State agency officials to gain an understanding of their fiscal and program monitoring procedures;
- interviewed CAPCIL’s officials to gain an understanding of the costs charged under the award;
- reviewed the State agency’s fiscal and program monitoring reports;
- reviewed correspondence between the State agency and CAPCIL officials;
- reviewed CAPCIL’s audited financial statements for calendar years 2008, 2009, and 2010;
- reconciled the costs that the State agency claimed under the award with CAPCIL’s general ledger;
- judgmentally selected and reviewed 37 transactions totaling \$197,854 (\$2,092 in salary and related costs and \$195,762 in nonsalary costs) based on risk factors such as whether the transactions:
  - were high dollar;
  - were recorded near the end of grant period; or
  - appeared to be disproportionately allocated to the CSBG Recovery Act program; and
- discussed our findings with State agency and CAPCIL 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.

### **FINDINGS AND RECOMMENDATIONS**

Of the \$197,854 of CSBG Recovery Act costs that the State agency claimed for CAPCIL’s program expenditures and that we reviewed, \$77,070 was allowable under the terms of the Recovery Act grant and applicable Federal regulations. However, the State claimed \$120,784 in costs (or 61 percent of reviewed expenditures) to the grant that may be potentially unallowable, including:

- \$102,032 in indirect costs that may have been improperly charged as direct costs and
- \$18,752 in client assistance costs that may have been inadequately documented.

The potentially unallowable direct costs the State claimed on behalf of CAPCIL occurred because CAPCIL's method for allocating costs to Federal awards was not compliant with 2 CFR pt. 230. In addition, CAPCIL did not follow its own policies and procedures for maintaining adequate supporting documentation for client assistance costs.

### **INADEQUATELY SUPPORTED DIRECT COSTS**

Federal cost principles (2 CFR pt. 230, App. A, §§ A.2.a. and A.2.g.) state that to be allowable under a Federal award, costs must be reasonable, allocable, and adequately documented. In addition, 2 CFR pt. 230, App. A, § A.4, states that a cost is allocable to an award if it benefits both the award and other work and can be distributed in reasonable proportion to the benefits received.

Federal regulations (45 CFR § 74.21(b)) state that grantees must maintain financial management systems that contain written procedures for determining the reasonableness, allocability, and allowability of costs. Grantees must also maintain accounting records that are supported by source documentation and maintain financial systems that provide for accurate and complete reporting of grant-related financial data.

CAPCIL did not adequately support \$102,032<sup>1</sup> in certain costs that were directly charged to the Recovery Act grant. These costs benefitted multiple projects while the documentation provided by CAPCIL was inadequate to show that these costs related solely to the Recovery Act grant. For FYs 2009 and 2010, CAPCIL submitted cost allocation plans to the State agency detailing how costs were to be allocated amongst CAPCIL's various grants, including the CSBG grant. However, the cost allocation plans did not include the CSBG Recovery Act grant. Without adequate supporting documentation, we could not determine whether the costs were allocable to the Recovery Act grant in reasonable proportion to the benefits received. Therefore, we could not determine what portion of the \$102,032 that CAPCIL charged to the Recovery Act grant was allowable.

CAPCIL's method for allocating costs to Federal awards as described above did not comply with 2 CFR pt. 230. We are deferring the questionable charges to the State, which should determine the allowable amount and refund the unallowable amount to the Federal government.

### **CLIENT ASSISTANCE COSTS INADEQUATELY DOCUMENTED**

Federal cost principles (2 CFR pt. 230, App. A, §§ A.2.a. and A.2.g.) state that to be allowable under a Federal award, costs must be reasonable, allocable, and adequately documented.

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<sup>1</sup> CAPCIL directly charged costs that include client assistance for food (\$76,000), vehicle fuel (\$13,000), supplies (\$3,752), telephone expense (\$3,500), travel (\$3,000), and staff development (\$2,780).

CAPCIL did not adequately document \$18,752<sup>2</sup> in claimed client assistance costs charged to the Recovery Act grant. CAPCIL's supporting documentation was inadequate to determine how the client assistance costs were disbursed to CSBG eligible clients. Specifically, we were unable to determine who received the client assistance, as well as the amount of assistance each client received.

CAPCIL did not follow its own policies and procedures for maintaining adequate supporting documentation for client assistance costs. Specifically, CAPCIL's policies and procedures manual required CAPCIL's Program Directors to establish and maintain program fiscal records. We are deferring the questionable charges to the State, which should determine the allowable amount and refund the unallowable amount to the Federal government.

### **LACK OF ADEQUATE MONITORING PROCEDURES**

The State agency did not have adequate monitoring procedures to ensure that the CSBG Recovery Act costs claimed for CAPCIL's program expenditures for direct costs and client assistance costs were allowable in accordance with terms of the Recovery Act grant and applicable Federal regulations. In a fiscal monitoring report covering CAPCIL's use of non-Recovery Act CSBG funds and CSBG Recovery Act funds, the State agency concluded there was no evidence of any misuse or excessive use of CSBG funds and that all tested expenditures were allowable, allocable, and supported with proper documentation.

We found, on the contrary, that CAPCIL charged potentially unallowable indirect costs as direct costs that were not entirely allocable to the CSBG Recovery Act grant. In addition, CAPCIL did not maintain adequate supporting documentation for client assistance costs.

### **RECOMMENDATIONS**

We recommend that the State agency:

- work with CAPCIL to determine what portion of the \$120,784 is allowable and refund to the Federal government any amount determined to be unallowable,
- ensure CAPCIL uses a method for allocating costs to Federal awards that is compliant with 2 CFR pt. 230, and
- ensure that CAPCIL follows its policies and procedures to assure that all costs charged to Federal awards are in compliance with applicable Federal regulations.

### **COMMUNITY ACTION PARTNERSHIP OF CENTRAL ILLINOIS COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, CAPCIL disagreed with our findings. In addition to its comments, CAPCIL provided documentation to support its opinion. After reviewing CAPCIL's

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<sup>2</sup> CAPCIL claimed \$18,752 for client assistance costs that include food (\$10,752) and gift cards (\$8,000).

comments and documentation, we maintain that our findings and recommendations are valid. CAPCIL's written comments are included as Appendix A.

## **STATE COMMENTS**

In written comments on our draft report, the State partially concurred with our first finding and disagreed with our second finding.

Regarding our first finding on improperly charged direct costs, the State agrees that a portion of the costs are unallowable. The State worked with CAPCIL, using an OIG prepared document that was subject to changes and intended for discussion purposes only, to calculate the allowable portion of improperly charged direct costs. (Refer to OIG response below).

In response to our second finding on inadequately documented client assistance costs, the State believes that adequate documentation was provided to support the costs.

The State's written comments are included as Appendix B.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

After reviewing the State's comments, we maintain that our findings and recommendations are valid. CAPCIL did not have an indirect cost allocation methodology to account for the CSBG Recovery Act grant. Instead, CAPCIL directly charged the CSBG Recovery Act for costs that benefitted multiple projects. During fieldwork, we provided CAPCIL a document which contained examples of indirect cost allocation methodologies. This document was clearly marked subject to changes and was intended for discussion purposes only. The State and CAPCIL worked together and used one of our examples to calculate the allowable portion of improperly charged direct costs. However, the OIG is not the cognizant Federal agency for the Recovery Act Grant and is not authorized to approve indirect cost rates or methodologies. The newly calculated costs continue to be improper because they were not calculated using an indirect cost rate that was negotiated with and approved by ACF, the cognizant Federal agency for the Recovery Act grant. Accordingly, CAPCIL and the State need to work with ACF to determine the allowable portion of improperly charged direct costs.

The additional documentation provided does not adequately support the client assistance costs charged to the Recovery Act grant. We identified several discrepancies between CAPCIL's client files and the additional documentation provided. For example, CAPCIL purchased 1,452 packages of food while the additional documentation provided by CAPCIL only reflected that 272 packages of food were distributed. Due to such discrepancies, we are unable to rely on the accuracy of the additional supporting documentation as provided.

# **APPENDIXES**

## APPENDIX A: COMMUNITY ACTION PARTNERSHIP OF CENTRAL ILLINOIS COMMENTS



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*Proudly serving DeWitt, Fulton, Logan, Mason, Menard & Piatt Counties*

Office of Audit Services, Region V  
223 North Michigan, Suite 1360  
Chicago, IL 60601

Re: Report Number: A-05-12-00018

Dear Sheri L. Fulcher,

Please accept this letter as Community Action Partnership of Central Illinois's (CAPCIL) response to the Office of Inspector (OIG) draft report issued, November 20, 2012.

**Recommendation:**

- That the State agency work with CAPCIL to determine what portion of the \$120,784 is allowable and refund to the Federal government any amount determined to be unallowable.

CAPCIL does not concur with the OIG findings, and has provided necessary documentation to prove otherwise. CAPCIL will work with the State agency to determine what portion is allowable and refund to the Federal government any amount determined to be unallowable.

**Recommendation:**

- That the State agency ensures CAPCIL uses a method for allocating costs to Federal awards that is compliant with 2 CFR pt.230

CAPCIL does not concur with OIG findings, and has provided necessary documentation to prove otherwise. CAPCIL will be sure to work with the State agency to use a method for allocating costs to Federal awards that is compliant with 2 CFR pt. 230.

**Recommendation:**

- That the State agency ensure that CAPCIL follows its policies and procedures to assure that all costs charged to Federal awards are in compliance with applicable Federal regulations.

CAPCIL does not concur with OIG findings, and has provided necessary documentation to prove otherwise. CAPCIL recognizes this recommendation and will work the State agency to assure that all policies and procedures regarding all costs charged to Federal awards are in compliance with applicable Federal regulations. .

Yours Sincerely,  
/Jacob D. Sexton/

Jacob D. Sexton  
Executive Director/CEO  
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## APPENDIX B: STATE COMMENTS



**Illinois  
Department of Commerce  
& Economic Opportunity**  
Pat Quinn, Governor

January 17, 2013

Report Number: A-05-12-00018

Ms. Sheri L. Fulcher  
Regional Inspector General for Audit Services  
U.S. Department of Health & Human Services  
Office of Inspector General  
233 North Michigan, Suite 1360  
Chicago, IL 60601

Dear Ms. Fulcher:

This letter is the Department of Commerce and Economic Opportunity's (DCEO) response to the *Illinois Claimed Potentially Unallowable Community Services Block Grant Costs for Community Action Partnership of Central Illinois' Expenditures Under the Recovery Act* report dated December 19, 2012.

The DCEO received \$47,232,781 in 2009 Recovery Act funding. During the same time period as the Recovery Act funds were being spent, DCEO also administered the 2009 and 2010 regular CSBG programs. It should be noted that the DCEO received no administrative funds to administer the Recovery Act funds, and was advised to move quickly to obligate and spend these funds in order to stimulate the economy.

Prior to the awarding of Recovery Act grant funds, the department felt it necessary to meet with the Community Action Agencies to provide direction and instruction on the process for awarding funds, the grant allocation, the need for support documentation, suggested work programs with job creation being the emphasis, the importance of preventing duplication of regular CSBG grant funds, and keeping the Recovery Act funds separate from other funds.

A process similar to the awarding of regular CSBG grant funds was followed with state CSBG staff reviewing Individual Community Action Agency Recovery Act applications and budgets. The first Recovery Act funds were obligated in May 2009. During the course of the Recovery Act, several meetings were held to discuss issues and concerns, and again emphasize the importance of documentation and separation of funds.

Following is DCEO's response to the OIG findings although DCEO agrees with the response prepared by the Community Action Partnership of Central Illinois (CAPCIL), and in fact DCEO worked with them in preparing their response.

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January 17, 2013

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#### **INADEQUATELY SUPPORTED DIRECT COSTS**

The OIG finding states that CAPCIL did not adequately support \$102,032 in certain costs that were directly charged to the Recovery Act grant. These costs benefitted multiple projects while the documentation provided by CAPCIL was inadequate to show that these costs related solely to the Recovery Act grant. CAPCIL's methods for allocating costs to Federal awards did not comply with 2 CFR pt. 20.

**DCEO Response:** DCEO does not concur. Using the same methodology of total grant expenditures used by the OIG in the initial report to CAPCIL back in April 2012, DCEO agrees with CAPCIL that the expenditures should be for the 17 month period of the Recovery Act and not the entire period of the Recovery Act and both the 2009 and 2010 regular CSBG grant periods. Using the 17 month Recovery Act period, DCEO also agrees with CAPCIL that the amount of unallowable costs for supplies is \$1,838.31; for telephone is \$1,715; for travel is \$1,470; and for staff development \$1,362.20, for a total of unallowable expenditures of \$6,385.51. See CAPCIL's response included with this response for further explanation pages 2, 3, 3, & 4 and exhibits.

Using the methodology of total project (CSBG, Recovery Act & Title III B) expenditures used by the OIG, and for the 17 months of the Recovery Act grant period only, DCEO agrees with CAPCIL that based on total project vehicle fuel expenditures for the Senior Transportation Program, there are no unallowable costs for the Recovery Act. See CAPCIL's response pages 3 & 4 and exhibits.

Using the methodology of total project (CSBG, Recovery Act & Title III B) expenditures used by the OIG, and for the 17 months of the Recovery Act grant period, DCEO agrees with CAPCIL that based on total food expenditures for the Senior Nutrition project, there are no unallowable costs for the Recovery Act. See CAPCIL's response pages 5 & 6 and exhibits.

**Total Unallowable Costs as identified by DCEO: \$6,385.51.**

#### **CLIENT ASSISTANCE COSTS INADEQUATELY DOCUMENTED**

The OIG finding states that CAPCIL did not adequately document client assistance costs charged to the Recovery Act. CAPCIL did not follow its own policies and procedures for maintaining adequate supporting documentation for client assistance costs.

**DCEO Response:** DCEO does not concur. Upon receipt of the CAPCIL preliminary findings letter, DCEO staff met with CAPCIL staff to determine if documentation was available or could be created based on client files. It was discovered at that time that CAPCIL staff had failed to submit to the OIG a log of food gift cards which contained client signatures and the number of cards issued. CAPCIL staff, with assistance from DCEO, verified the list through client files.

The CAPCIL staff, also with the assistance of DCEO, created another food log (meat cards) which was also verified through client files that together total in excess of the \$8,000 identified as unallowable by the OIG. See CAPCIL's response page 6 and exhibits.

**Total Unallowable Costs as identified by DCEO: \$0.00.**

January 17, 2013  
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**LACK OF ADEQUATE MONITORING PROCEDURES**

The OIG finding states that the State does not have adequate monitoring procedures to ensure that the Recovery Act costs claimed for CAPCIL's program expenditures for direct costs and client assistance costs were allowable. The DCEO does in fact have fiscal monitoring procedures that test expenditures to ensure they are allowable, necessary, and reasonable.

As stated previously, the DCEO received no administrative funds with which to monitor the Community Action Agencies' use of the Recovery Act funds. The DCEO used regular CSBG funds to conduct monitoring of the Recovery Act funds although only 2 to 2.5 days were allocated for each visit in order to conduct a fiscal review of all 36 Community Action Agencies and one statewide migrant organization.

Since the first preliminary OIG reports were received, DCEO has stated during meetings with the Community Action Agencies the issues and concerns identified during the OIG reviews, and provided instruction on correcting or avoiding the situation. DCEO CSBG staff has also updated monitoring tools to reflect some of the issues identified during the OIG reviews. DCEO will continue to provide training and technical assistance when issues or concerns are identified.

In conclusion, DCEO believes that based on the DCEO review a total of \$6,385.51 is unallowable and should be returned to the U. S. Department of Health and Human Services in unrestricted funds.

Total Unallowable Costs as identified by DCEO: \$6,385.51.

Should you have questions or wish to discuss this response, please feel free to contact Ms. Gail Hedges at 217/785-1709 or via e-mail at [gail.hedges@illinois.gov](mailto:gail.hedges@illinois.gov).

Sincerely,



Adam Pollet,  
Acting Director  
Illinois Department of Commerce & Economic Opportunity  
500 E. Monroe Street  
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Enclosure

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