



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 6B6
Dallas, TX 75242-1027

December 3, 2001

Common Identification Number: A-06-01-00072

Mr. John Squires
Executive Director
Community Resource Group, Inc.
2423 East Robinson Avenue
Springdale, Arkansas 72764

Dear Mr. Squires:

Enclosed are two copies of the U. S. Department of Health and Human Services, Office of Inspector General (OIG), Office of Audit Services (OAS) final report entitled "Audit of the Community Resource Group's Office of Community Services Grant (90EF0036)". A copy of this report will be forwarded to the action official noted below for his review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, (5 U.S.C. 552, as amended by Public Law 104-231), OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-06-01-00072 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink that reads "Gordon L. Sato".

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosure- as stated

Direct Reply to HHS Action Official:

Mr. Leon R. McCowan

Regional Hub Director

Administration for Children and Families

U.S. Department of Health and Human Services

1301 Young Street, Suite 914

Dallas, Texas

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF THE COMMUNITY
RESOURCE GROUP'S OFFICE OF
COMMUNITY SERVICES GRANT
(90EF0036)**



**JANET REHNQUIST
Inspector General**

**DECEMBER 2001
A-06-01-00072**

Office of Inspector General

<http://www.hhs.gov/oig/>

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 and 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:

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The OIG's Office of Audit Services (OAS) provides all 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 in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the Department.

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The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The findings and recommendations contained in the inspections reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs.

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The OIG's Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties. The OI also oversees State Medicaid fraud control units, which investigate and prosecute fraud and patient abuse in the Medicaid program.

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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 in OIG's internal operations. The OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within the Department. The OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops model compliance plans, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF THE COMMUNITY
RESOURCE GROUP'S OFFICE OF
COMMUNITY SERVICES GRANT
(90EF0036)**



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NOTICES

THIS REPORT IS AVAILABLE TO THE PUBLIC at <http://oig.hhs.gov>

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Audit Services' (OAS) reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the OAS. Final determination on these matters will be made by authorized officials of the HHS divisions.



Common Identification Number: A-06-01-00072

December 3, 2001

John Squires
Executive Director
Community Resource Group, Inc.
2423 East Robinson Avenue
Springdale, Arkansas 72764

Dear Mr. Squires:

The purpose of this report is to provide you with the results of our audit of grant number 90EF0036 awarded to Community Resource Group, Inc. (CRG) by the Administration for Children and Families (ACF), Office of Community Services (OCS), Department of Health and Human Services (DHHS). The award covered the period of September 30, 1998 through September 29, 2000.

The objectives of our audit were to assess CRG's: 1) performance in achieving project objectives, 2) compliance with terms and conditions of the grant and 3) capability to properly record, account for and report on Federal funds.

The CRG substantially achieved all of the project objectives. In addition, CRG complied with the terms and conditions of the grant. The CRG has established and followed accounting procedures enabling it to properly record, account for and report on Federal funds. However, CRG did not always follow its procedures relating to drawing down Federal funds.

In response to our draft report, CRG did not agree there is an internal control weakness relating to the drawing down of Federal funds. However, we continue to feel that CRG needs to strengthen its internal controls to minimize the amount of Federal cash on hand as required by Federal regulations. See Appendix for a complete copy of CRG's response.

Background

The Community Services Block Grant Act of 1981 (Act) authorizes DHHS to make funds available to support activities that would alleviate the causes of poverty in distressed communities, with special emphasis on community and economic development. Pursuant to the Act, OCS announced that applications would be accepted for new grants under its fiscal year 1998 Rural Facilities Discretionary Grants Program. In response to the announcement, the CRG submitted an application for funding. The purpose was to provide onsite technical assistance and training to rural, low-income communities with water and waste disposal needs in the States of Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee and Texas. The CRG is a private nonprofit rural development organization established in 1975 to address the needs of lower income, rural communities in dealing with their water supply and waste disposal problems.

The CRG was awarded a grant for the project period of September 30, 1998 through September 29, 2000 totaling \$1,052,456 (\$526,228 for each of the 2 years of the project period).

Objectives, Scope, and Methodology

The objectives of our audit were to assess CRG's: 1) performance in achieving project objectives, 2) compliance with terms and conditions of the grant and 3) capability to properly record, account for and report on Federal funds.

To accomplish the audit objectives, we:

- interviewed CRG officials to obtain an understanding of CRG's program, its internal control structure and its ability to properly record, account for and report on Federal funds;
- examined CRG's grant application, progress reports, policies and procedures, and other supporting documentation to determine if CRG achieved the project objectives;
- compared grant proposal budget categories to expenditures to ensure they were in accordance with terms and conditions of the grant; and
- reviewed CRG's accounting policies and procedures, interviewed accounting personnel, reviewed audit reports from the independent Certified Public Accounting firm during the grant period and reviewed support for the financial information reported on the Standard Form 269s to ensure CRG was capable of properly recording, accounting for and reporting on Federal funds.

The Program grant (90EF0036) was selected for audit along with other discretionary grants awarded by ACF. Our audit was performed in accordance with generally accepted government auditing standards. Our review of CRG's internal controls was limited to those controls considered necessary to achieve our objectives. We conducted our field work at CRG's offices in Fayetteville and Springdale, Arkansas in July 2001.

RESULTS OF AUDIT

Program Results

The overall goal of the grant was to help rural low-income communities in Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee and Texas develop the capability and expertise to establish and/or maintain affordable, adequate and safe water supply and wastewater disposal facilities. To meet this goal, CRG established a work program with four components. The four components contained multiple objectives. The four components were to provide: 1) Onsite Technical Assistance, 2) Information Dissemination, 3) Education and Training, and 4) Financial Assistance.

Based on our review of CRG's grant application, progress reports and other supporting documentation, we determined that CRG substantially achieved all of the grant objectives. In

addition, progress reports were submitted timely. For those objectives that were not fully achieved, contributing factors included staff vacancies, timing delays between projects and circumstances beyond CRG's control, such as the number of communities that sought assistance and the timing of the receipt of funds from other sources.

Fiscal Accountability

Based on our review of CRG's accounting records and policies and procedures, we determined that CRG is capable of adequately recording, accounting for and reporting Federal funds. In addition, financial reports were submitted timely. However, an internal control weakness relating to drawing down Federal funds needs to be corrected.

According to a CRG official, the policy for drawing down Federal funds is to do so on a retrospective basis, after the expenditures have been made. However, this policy was not always followed as on two occasions CRG drew down Federal funds for both prior and estimated future expenditures. On these two occasions, CRG over-anticipated their requirements for future expenditures and as a result had Federal cash on hand. For the quarters January 1, 1999 through March 31, 1999 and January 1, 2000 through March 31, 2000, CRG reported cash on hand of \$15,700 and \$2,975, respectively.

Conclusion and Recommendations

The CRG substantially achieved all of the grant objectives and complied with the terms and conditions of the grant. In addition, CRG has established and followed accounting procedures enabling it to adequately record, account for and report Federal funds. However, an internal control weakness relating to drawing down Federal funds need to be corrected.

We recommend that CRG strengthen its internal controls over drawing down Federal funds by ensuring its policies and procedures are followed. If Federal funds need to be drawn down in advance, CRG needs to expand its policies and procedures to minimize the amount of time elapsing between the transfer of Federal funds and the subsequent disbursement of these funds, as required by Federal regulations.

CRG COMMENTS AND OIG RESPONSE

CRG Comments

The CRG response to our draft report was provided in a letter dated November 5, 2001. The CRG letter states that the policy for drawing down Federal funds changed to a retrospective basis in the second quarter of 1999. The letter further states that the \$2,975 cash on hand for the quarter ended March 31, 2000 resulted from human error and it's misleading to consider this an internal control weakness. The full text of your response is included as an **APPENDIX** to this report.

OIG Response

As stated in the report, CRG's policy for drawing down Federal funds was not always followed which resulted in excess cash on hand. To prevent this from occurring, we continue to recommend that CRG strengthen its internal controls over drawing down Federal funds in order to minimize the amount of time elapsing between the transfer of Federal funds and the subsequent disbursement of these funds as required by Federal regulations.

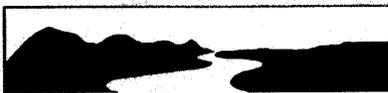
Sincerely,

A handwritten signature in black ink that reads "Gordon L. Sato". The signature is written in a cursive, slightly slanted style.

Gordon L. Sato

Regional Inspector General
for Audit Services

APPENDIX



COMMUNITY RESOURCE GROUP, INC

November 5, 2001

Mr. Gordon L. Sato
Department of Health and Human Services
Office of Inspector General
Office of Audit Services
1100 Commerce, Room 6B6
Dallas, TX 75242

RE: Common Identification Number A-06-01-00072

Dear Mr. Sato,

In response to your finding that Community Resource Group, Inc. has "an internal control weakness relating to drawing down Federal funds" we would like to offer the following additional information.

Prior to March 31, 1999 policy regarding draw downs was to draw based on monies already expended and estimated future expenditures. In the second quarter of 1999 we changed our policy to drawing down Federal funds on a retrospective basis. Since this change in policy have had only one incident of drawing down more funds than necessary. The \$2,975 excess cash on hand for the first quarter of 2000 was a result of human error, and only represented one half of one percent of our total grant allotment for that grant year.

Categorizing this incident as an internal control weakness is misleading because you can never eliminate the possibility of human errors.

Sincerely,

John Squires
Executive Director

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