



DEPARTMENT OF HEALTH AND HUMAN SERVICES

## OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION VI  
1100 COMMERCE STREET, ROOM 632  
DALLAS, TX 75242

July 17, 2012

Report Number: A-06-12-00013

Mr. Thomas E. Green  
Assistant Director  
Office of Community Services  
Division of County Operations  
Arkansas Department of Human Services  
P.O. Box 1437/Slot S-330  
Little Rock, AR 72203-1437

Dear Mr. Green:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Central Arkansas Development Council Claimed Allowable Costs Under a Recovery Act Grant*. 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-06-12-00013 in all correspondence.

Sincerely,

/Patricia Wheeler/  
Regional Inspector General  
for Audit Services

Enclosure

**HHS Action Official:**

Ms. Jeannie Chaffin, Director  
Office of Community Services (OCS)  
U.S. Department of Health and Human Services  
Administration for Children and Families  
5th Floor West  
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Washington DC 20447

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CENTRAL ARKANSAS DEVELOPMENT  
COUNCIL CLAIMED ALLOWABLE COSTS  
UNDER A RECOVERY ACT GRANT**



Daniel R. Levinson  
Inspector General

July 2012  
A-06-12-00013

# *Office of Inspector General*

<http://oig.hhs.gov>

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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 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.

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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 (CSBG Act), P.L. No. 105-285, 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 CSBG program awarded \$643 million in fiscal year (FY) 2008, \$1.7 billion in FY 2009, and \$689 million in FY 2010.

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provided an additional \$1 billion to ACF for the CSBG program. Recovery Act funds for the CSBG program were distributed to CAAs using an existing statutory formula. The primary objective of these funds was to provide assistance to States and local communities, working through a network of CAAs and other neighborhood-based organizations, for the reduction of poverty, revitalization of low-income communities, and empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

#### **Arkansas Department of Human Services**

Section 676(a) of the CSBG Act requires each State to designate an appropriate State agency as the lead agency for carrying out the State's CSBG program activities. In Arkansas, the Department of Human Services, Office of Community Services (the State), was the lead agency during our audit period. The State is responsible for approving Recovery Act grant applications from CAAs and monitoring them for compliance with program requirements. The State received \$13,595,871 in Recovery Act funds for Arkansas' CSBG program.

#### **Central Arkansas Development Council, Inc.**

Central Arkansas Development Council, Inc. (the Agency), is a private, nonprofit CAA serving 12 counties in Central and South Arkansas. The State awarded the Agency \$2,316,436 in CSBG grant funds for FY 2010 and \$3,517,069 in CSBG Recovery Act funds for the period July 1, 2009, through September 30, 2010.

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

### **Objective**

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

### **Scope**

We reviewed \$529,983 of the \$3,517,069 claimed by the Agency under its CSBG Recovery Act agreement with the State of Arkansas for the period 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 through the Recovery Act. We did not perform an overall assessment of the Agency's internal control structure. Rather, we reviewed only the internal controls that pertained to our objective. We performed fieldwork at the Agency's administrative office in Benton, Arkansas, in December 2012.

### **Methodology**

To accomplish our objective, we:

- reviewed relevant Federal requirements;
- confirmed that the Agency was not excluded from receiving Federal funds;
- reviewed the terms and conditions of the CSBG Recovery Act agreement between the Agency and the State;
- reviewed the Agency's policies and procedures related to the CSBG Recovery Act program;
- reviewed the minutes from the Agency's board of directors meetings and organizational charts;
- reviewed the Agency's annual Office of Management and Budget (OMB) Circular A-133-mandated audit reports for FYs 2008 through 2010;
- reconciled the Agency's CSBG Recovery Act expenditures and fund requests for the year ended September 30, 2010, to its accounting records;
- judgmentally selected and reviewed 51 transactions totaling \$529,983 (\$15,520 in salary and related costs and \$514,463 in nonsalary costs) based on risk factors such as whether the transactions:

- were high dollar,
  - were recorded near the end of or after the grant period, or
  - appeared to be disproportionately allocated to the CSBG Recovery Act program;  
and
- discussed our findings with Agency 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 objective.

### **RESULTS OF REVIEW**

The \$529,983 in CSBG Recovery Act costs that the State claimed on behalf of the Agency and that we reviewed were allowable under the terms of the grant and applicable Federal regulations. As a result, this report contains no recommendations.

### **OTHER MATTERS**

We found certain internal control issues that we referred to our information technology (IT) auditors. The IT auditors completed a review of the Agency's IT system and will issue a separate report.