

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**NOT ALL COMMUNITY SERVICES  
BLOCK GRANT COSTS CLAIMED ON  
BEHALF OF THE CARBON COUNTY  
COMMUNITY ACTION COMMITTEE FOR  
THE PERIOD OCTOBER 1, 2008,  
THROUGH SEPTEMBER 30, 2010,  
WERE ALLOWABLE**

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Patrick J. Cogley  
Regional Inspector General

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# *Office of Inspector General*

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## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. 105-285, reauthorized the Community Services Block Grant (CSBG) program to provide funds to alleviate the causes and conditions of 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. Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received an additional \$1 billion for the CSBG program; these additional funds were for services and programs provided during the period July 1, 2009, through September 30, 2010.

In Wyoming, the Department of Health (State agency) acts as the lead agency for purposes of carrying out State-level activities for the CSBG program. The State agency is responsible for evaluating the CSBG program applications from existing and potential CAAs, awarding grant funds to approved CAAs, and monitoring the CAAs for compliance with program regulations. The State agency submits quarterly fiscal reports to ACF for the CSBG program based on quarterly expenditure information from CAAs.

Carbon County Community Action Committee (Carbon County) is a local governmental entity that awards CSBG funds to subcontractors to provide educational, emergency, employment, and nutritional services to low-income families and individuals residing in Carbon County, Wyoming. Our review covered \$302,390 in CSBG funds and CSBG Recovery Act funds that the State agency claimed for awards made to Carbon County for the period October 1, 2008, through September 30, 2010.

Federal regulations (45 CFR § 74.21(b)) require that each CAA's financial management system provide (1) accurate, current, and complete disclosure of the financial results of each program; (2) records that adequately identify the source and application of Federal funds; (3) effective control over and accountability for all funds, property, and other assets to ensure that they are used solely for authorized purposes; (4) procedures for determining the allowability of costs; and (5) accounting records that are supported by source documentation.

### **OBJECTIVE**

Our objective was to determine whether selected CSBG and CSBG Recovery Act costs claimed by the State agency on behalf of Carbon County were allowable under the terms of the grants and applicable Federal requirements.

## SUMMARY OF FINDINGS

Not all of the CSBG and CSBG Recovery Act costs claimed by the State agency on behalf of Carbon County were allowable under the terms of the grants and applicable Federal regulations. Of the \$302,390 in CSBG funds and CSBG Recovery Act funds that the State agency claimed on behalf of Carbon County, \$75,482 was allowable under the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements. However, \$143,588 in CSBG funds and CSBG Recovery Act funds was not allowable under the terms of the grants and applicable Federal regulations. These costs were unallowable for the reasons detailed below.

Carbon County claimed \$141,759 (\$61,999 in CSBG funds and \$79,760 in CSBG Recovery Act funds) that was unallowable because Carbon County's subcontractors distributed these funds to recipients without adequately supporting the subcontractors' eligibility determinations. Some of these unallowable costs had additional deficiencies that would have led to recommended disallowances of those costs. Specifically, Carbon County:

- transferred grant funds between subcontractor programs without obtaining prior written approval from the State agency,
- claimed costs that were unallowable because the subcontractor expenditures associated with these funds were inadequately documented,
- claimed costs that were unallowable because they were associated with entertainment,
- unallowably charged costs to the grant awards for expenditures that in previous years had been paid by other funding sources, and
- claimed fringe benefit costs charged by a subcontractor that were unallowable because they were not associated with the direct costs for these grant awards.

Carbon County claimed an additional \$1,829 (\$405 in CSBG funds and \$1,424 in CSBG Recovery Act funds) that was unallowable due to a variety of errors, including duplication of claims, lack of documentation, and services that were claimed even though they had previously been funded under another funding source.

Carbon County did not have written policies and procedures to ensure that (1) its subcontractors collected and maintained documentation to support their recipient eligibility determinations and (2) it and its subcontractors claimed costs in accordance with Federal requirements and the terms of the grant. In addition, Carbon County's financial management policies and procedures were not adequate to prevent overpayments for some claims. As a result, the State agency overstated its claim to the CSBG and CSBG Recovery Act grants by a total of \$143,588 (\$141,759 + \$1,829).

Because our limited scope review identified unallowable costs to the extent summarized above, some of the other costs are potentially unallowable. Although we did not perform detailed

testing of costs totaling \$83,320, we are referring those costs to ACF and the State agency for resolution.

We also noted internal control weaknesses related to Carbon County's:

- monitoring of subcontractors,
- tracking of Recovery Act funds,
- participation by members at Board of Directors (Board) meetings, and
- bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits.

Carbon County's policies and procedures did not ensure that it and its subcontractors conformed to the terms of the grants and applicable Federal requirements.

## **RECOMMENDATIONS**

We recommend that the State agency:

- make a financial adjustment to ACF of \$143,588 for costs claimed by Carbon County that did not conform to the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements,
- work with ACF to determine whether the eligibility determinations associated with the \$83,320 were correctly made and make a financial adjustment to ACF of any unallowable costs, and
- ensure that Carbon County either establishes or strengthens policies, procedures, and related internal controls regarding eligibility determinations, documentation, funds management, and oversight and monitoring of the CSBG program.

## **CARBON COUNTY COMMUNITY ACTION COMMITTEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

### **Carbon County Community Action Committee Comments**

In written comments on our draft report, Carbon County agreed in general that monitoring and policies and procedures could be improved and agreed with our third recommendation, but it generally disagreed with the specifics of our findings related to our other two recommendations.

For our finding on inadequately supported eligibility determinations, Carbon County said that to its knowledge, its subcontractors were collecting and maintaining the required information. Carbon County also stated that it had requested and received approval from the State agency to transfer grant funds between subcontractor programs. Carbon County said that it had adequate supporting documentation for its expenditures and that the entertainment costs that we had questioned were allowable as educational events. In addition, Carbon County said that grant funds were not supplanted with funds from other sources and that it had misunderstood Federal regulations when allocating fringe benefits. In the context of the procedural aspects of our

findings and recommendations, Carbon County said that it had hired a consultant to provide periodic monitoring of all subcontractors and that it had requested training from the State agency to assist the Board in administering grant funds.

Regarding the internal control weaknesses that we identified, Carbon County reiterated that it would welcome State agency monitoring to ensure that it was correctly administering grant funds. Carbon County also stated that CSBG funds were separately tracked from other county funds and Recovery Act funds, and added that our finding on the separate accounting of Recovery Act funds was an accounting error rather than any actual misuse of funds.

Regarding Board member participation, Carbon County said that it had made numerous attempts to contact absent Board members and pointed out that because Board members come from a small community and serve without compensation, it is difficult to recruit new members. Finally, Carbon County stated that its bank accounts were insured to the FDIC limit and that any balances in excess of that limit were collateralized by the bank.

Our draft report included an internal control finding related to conflicts of interest. In its comments, Carbon County said that it felt that it was important to continue providing services to the community as long as Board members declared conflicts of interest and did not vote on matters with which they had a conflict. Our draft report also included another internal control finding related to segregation of duties. Carbon County disagreed with this finding and provided additional information on the issue.

Carbon County concluded by stating that it would be “unfair and unjust” for any repayment to be required, and requested that, if a financial adjustment were to be required, Carbon County be allowed to apply any future allocation of CSBG funds to the adjustment.

### **Office of Inspector General Response**

After reviewing Carbon County’s comments, we removed our findings regarding conflicts of interest and segregation of duties. While acknowledging Carbon County’s efforts to improve policies and procedures and its monitoring of subcontractors, we maintain that our other findings and recommendations remain valid. (Based on the State agency’s comments, for our final report we reduced the amount of our questioned costs and modified our first recommendation accordingly. Thus, some of the dollar amounts conveyed in this final report differ from the amounts that appeared in the draft reports that we gave to both Carbon County and the State agency for comment.)

We disagree that Carbon County’s CSBG claims and expenditures were adequately supported, that it had requested and received prior approval from the State agency to transfer funds between budget lines, and that it had not supplanted other funding sources with Recovery Act funds. We also disagree that Carbon County’s Board adequately represented all groups in the community. Regarding the uninsured bank deposits, we note that accounts collateralized by a bank are at higher risk of loss in the event of a bank failure than are accounts that are fully insured by the FDIC.

## STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our third recommendation but did not concur with our first two recommendations. With respect to the specific findings that contributed to our first recommendation, the State agency agreed with our finding regarding \$727 of unallowable fringe benefit costs charged by a subcontractor to the CSBG Recovery Act award and with our finding that another subcontractor charged \$129 to the CSBG Recovery Act award for dental services that had previously been paid by the Medicaid program.

The State agency disagreed with our other findings regarding inadequately supported eligibility determinations, additional deficiencies at the subcontractor level, and other unallowable payments. For these findings, the State agency generally described the services funded by the CSBG and CSBG Recovery Act awards and, for several of the findings, stated that several of the subcontractors in question had verified that recipient income did not exceed the 200-percent poverty limit threshold that the State agency established after it published the Federal fiscal year 2010 CSBG State plan. For several of our findings on the lack of documentation to support eligibility determinations, the State agency either gave reasons why recipient names were not documented or said that the subcontractors maintained the necessary documentation on site.

The State agency also disagreed with our second recommendation. Regarding the \$83,320 in potentially unallowable costs from one subcontractor—costs that we set aside for the State agency to resolve in coordination with ACF—the State agency described the subcontractor’s recipient application process and the State-level income eligibility verification process. The State agency added that recipient names were not attached to invoices to protect the recipients’ privacy.

The State agency concurred with our third recommendation and described corrective actions that it had taken or planned to take. With respect to the internal control weaknesses that contributed to this recommendation, the State agency agreed with our first finding but disagreed with our other three findings. In its statements of disagreement, the State agency essentially raised the same issues—with respect to separate accounting of Recovery Act funds, Board member participation, and uninsured bank accounts—that Carbon County had raised in its comments on our draft report. Regarding Board member participation, the State agency added that Carbon County had implemented changes to its process and was actively seeking new members. Regarding uninsured bank accounts, the State agency cited Carbon County’s statement that its bank accounts were insured and “... amounts in excess are collateralized by the bank.” The State agency also summarized the amounts that Carbon County held in its accounts and, summing those amounts, concluded that “... it seems unlikely that the accounts would ever be over the \$250,000 limit.”

The State agency’s comments included technical comments related to Carbon County’s formal name and its status as a nonprofit CAA, the relevant Federal cost principles, the grant periods for which CSBG and CSBG Recovery Act funds were allocated, and the amounts of that funding.

## OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments regarding eligibility determinations and the grant award requirements, we accepted \$21,433 in costs for three subcontractors (Boys & Girls Club, Western Wyoming Family Planning, and Community Resource Center) that our draft reports had questioned. We revised the amounts of our questioned costs and the associated first recommendation accordingly. Carbon County's agreement with one subcontractor (Boys & Girls Club) provided for funding for a position to provide direct services to youth for computer literacy and Internet safety classes. After further review of the award agreement and documentation, we adjusted this finding, thus accepting costs totaling \$16,909: \$15,000 for the funding of the position, \$1,186 for supplies purchased for the youth development program, and \$723 for the computer literacy and Internet safety training classes. We also accepted \$2,940 for a second subcontractor (Western Wyoming Family Planning) for supplies. For a third subcontractor (Community Resource Center), we accepted \$1,584 in costs claimed for the publication of a Resources Directory.

We maintain that our remaining findings and recommendations are still valid. Specifically, Carbon County is required to maintain documentation to support its eligibility determinations. Although the State agency's comments described some subcontractors' recipient income verification processes and discussed the maintenance of documentation, Carbon County was not able, either during our fieldwork or afterward, to provide documentation demonstrating that the recipients of the services in question met the eligibility requirements.

We maintain that all of the internal control weaknesses that we identified remain valid. Nothing in the State agency's comments caused us to change our finding that Carbon County's CSBG Recovery Act expenditures were not separately tracked and reported. Regarding Board member participation, we continue to point out, as we did in our response to Carbon County's comments, that the consistent absences of a significant number of Board members from Board meetings constituted a violation of Carbon County's own bylaws. Finally, we disagree with the State agency concerning the uninsured bank account. As we stated in our response to Carbon County's similar comments, accounts collateralized by a bank are at higher risk of loss in the event of a bank failure than are accounts that are fully insured by the FDIC. Further, although the State agency said that it would be unlikely that Carbon County's bank accounts would ever exceed the FDIC limit, we note that during our fieldwork we identified at least two separate occasions when that in fact happened.

After reviewing the technical comments that the State agency included in its response to our draft report, we revised our final report to clarify Carbon County's status as a local governmental entity and to clarify the applicability of Federal cost principles to governmental entities, grantees, and subcontractors. We did not, however, make changes based on the State agency's other technical comments because the documentation that Carbon County provided to us supported our report's description of Carbon County's grant periods and the amounts of funding that we reviewed.

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B: CARBON COUNTY COMMUNITY ACTION COMMITTEE COMMENTS

C: STATE AGENCY COMMENTS

## **INTRODUCTION**

### **BACKGROUND**

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

The Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (COATES Act), P.L. 105-285, reauthorized the Community Services Block Grant (CSBG) program to provide funds to alleviate the causes and conditions of 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.

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received an additional \$1 billion for the CSBG program; these additional funds were for services and programs provided during the period July 1, 2009, through September 30, 2010. For this period, the Recovery Act made provisions for the expansion of CSBG-related services to those individuals who are within 200 percent of the Federal poverty level.

#### **Wyoming Department of Health**

In Wyoming, the Department of Health (State agency) acts as the lead agency for purposes of carrying out State-level activities for the CSBG program. The State agency is responsible for evaluating the CSBG program applications from existing and potential CAAs, awarding grant funds to approved CAAs, and monitoring the CAAs for compliance with program regulations. The State agency submits quarterly fiscal reports to ACF for the CSBG program based on quarterly expenditure information from CAAs.

#### **Carbon County Community Action Committee**

Carbon County Community Action Committee (Carbon County) is a local governmental entity that awards CSBG funds to subcontractors to provide educational, emergency, employment, and nutritional services to low-income families and individuals residing in Carbon County, Wyoming. The State agency awarded CSBG funds and CSBG Recovery Act funds to Carbon County, which in turn awarded the funds to 11 subcontractors and 8 daycare providers, for the provision of services to the target population. During Federal fiscal years (FY) 2008 through 2010, the State agency awarded Carbon County \$302,390 (\$165,346 in CSBG funds and a Recovery Act grant award totaling \$137,044). (For this report we will use “CSBG funds” and “CSBG Recovery Act funds” to differentiate the two types of grants.)

## **Federal Requirements**

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 CAA. Local governmental entities are subject to 45 CFR part 74. The regulations at 45 CFR § 74.27(a) state that the allowability of costs will be determined in accordance with 2 CFR part 225 (OMB Circular A-87), *Cost Principles for State, Local and Indian Tribal Governments*.<sup>1</sup>

Federal regulations (45 CFR § 74.21(b)) require that each CAA's financial management system provide (1) accurate, current, and complete disclosure of the financial results of each program; (2) records that adequately identify the source and application of Federal funds; (3) effective control over and accountability for all funds, property, and other assets to ensure that they are used solely for authorized purposes; (4) procedures for determining the allowability of costs; and (5) accounting records that are supported by source documentation.

This review is one of a series of Office of Inspector General reviews to provide oversight of Recovery Act funds.

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

### **Objective**

Our objective was to determine whether selected CSBG and CSBG Recovery Act costs claimed by the State agency on behalf of Carbon County were allowable under the terms of the grants and applicable Federal requirements.

### **Scope**

ACF awarded the State agency (on behalf of Carbon County) \$304,866 in CSBG and CSBG Recovery Act funds for the period October 1, 2008, through September 30, 2010. After receiving the award funds, Carbon County returned \$2,476 of its CSBG Recovery Act funds to the State agency. Therefore, our review covered \$302,390 in CSBG funds and CSBG Recovery Act funds that the State agency claimed for awards made to Carbon County for this period.

We did not review an additional \$33,600 that the State agency referred to as "Set-Aside" funding because these funds were not part of the grant award agreements for the CSBG and CSBG Recovery Act funds.

We conducted a limited review of Carbon County's financial transactions and systems related to the CSBG and CSBG Recovery Act programs and related policies and procedures. We did not perform an overall assessment of Carbon County's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective.

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<sup>1</sup> Similar language appears in 2 CFR part 230 (OMB Circular A-122), *Cost Principles for Non-Profit Organizations*. (The State agency and Carbon County follow criteria applicable for local governmental entities while the subcontractors follow criteria for nonprofit organizations).

We performed fieldwork at Carbon County's administrative office in Rawlins, Wyoming, from July 2011 through March 2012.

## **Methodology**

To accomplish our objective, we:

- reviewed Federal laws, regulations, and guidance;
- reviewed the State agency's CSBG State plans for FYs 2008 through 2010, and the CSBG Recovery Act State plan for the grant period of July 1, 2009, through September 30, 2010;
- confirmed that Carbon County was not excluded from receiving Federal funds;
- reviewed and analyzed Carbon County's audited financial statements and supporting documentation for the period October 1, 2008, through September 30, 2010;
- reviewed Carbon County's applications for CSBG and CSBG Recovery Act funding and Carbon County's implementation of the grant awards;
- reviewed Carbon County's bylaws, Board of Directors' (Board) meeting minutes, composition of the Board, financial management policies and procedures, and organizational chart;
- reviewed and analyzed Carbon County's expenditure and financial reports;
- performed audit steps to assess the adequacy of Carbon County's current financial systems;
- judgmentally selected and reviewed 30 program vouchers<sup>2</sup> that 1 subcontractor submitted to Carbon County to determine whether the recipients' application information was adequately supported by appropriate eligibility documentation;<sup>3</sup>
- reviewed the remaining 10 subcontractors' documentation supporting their determinations of client eligibility;

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<sup>2</sup> Carbon County, after approval of a recipient's program application, issued program vouchers that were later redeemed for reimbursement by service providers.

<sup>3</sup> This subcontractor (Public Health – Emergency Health) had the largest program in terms of number of vouchers. We selected and reviewed 30 of its vouchers to determine whether there was evidence that a problem existed in the population from which we drew our nonstatistical sample. The other 10 subcontractors had fewer vouchers. Therefore, we reviewed all of their vouchers.

- interviewed State officials and Carbon County’s management, program, and financial staff to gain an understanding of each entity’s processes for monitoring the CSBG and CSBG Recovery Act programs; and
- discussed findings with State and Carbon County officials on June 11, 2012.

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**

Not all of the CSBG and CSBG Recovery Act costs claimed by the State agency on behalf of Carbon County were allowable under the terms of the grants and applicable Federal regulations. Of the \$302,390 in CSBG funds and CSBG Recovery Act funds that the State agency claimed on behalf of Carbon County, \$75,482 was allowable under the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements. However, \$143,588 in CSBG funds and CSBG Recovery Act funds was not allowable under the terms of the grants and applicable Federal regulations. These costs were unallowable for the reasons detailed below.

Carbon County claimed \$141,759 (\$61,999 in CSBG funds and \$79,760 in CSBG Recovery Act funds) that was unallowable because Carbon County’s subcontractors distributed these funds to recipients without adequately supporting the subcontractors’ eligibility determinations. Some of these unallowable costs had additional deficiencies (broken out by subcontractor in Appendix A) that would have led to recommended disallowances of those costs. Specifically, Carbon County:

- transferred grant funds totaling \$9,063 between subcontractor programs without obtaining prior written approval from the State agency,
- claimed \$4,643 in costs that were unallowable because the subcontractor expenditures associated with these funds were inadequately documented,
- claimed costs totaling \$4,001 that were unallowable because they were associated with entertainment,
- claimed \$2,479 in costs that were unallowable because the expenditures had been paid by other funding sources in previous years, and
- claimed \$727 in fringe benefit costs charged by a subcontractor that were unallowable because they were not associated with the direct costs for these grant awards.

Carbon County claimed an additional \$1,829 (\$405 in CSBG funds and \$1,424 in CSBG Recovery Act funds) that was unallowable due to a variety of errors, including duplication of

claims, lack of documentation, and services that were claimed even though they had previously been funded under another funding source.

Carbon County did not have written policies and procedures to ensure that (1) its subcontractors collected and maintained documentation to support their recipient eligibility determinations and (2) it and its subcontractors claimed costs in accordance with Federal requirements and the terms of the grant. In addition, Carbon County's financial management policies and procedures were not adequate to prevent overpayments for some claims. As a result, the State agency overstated its claim to the CSBG and CSBG Recovery Act grants by a total of \$143,588 (\$141,759 + \$1,829).

Because our limited scope review identified unallowable costs to the extent summarized above, some of the other costs are potentially unallowable. Although we did not perform detailed testing of costs totaling \$83,320, we are referring those costs to ACF and the State agency for resolution.

We also noted internal control weaknesses related to Carbon County's:

- monitoring of subcontractors,
- tracking of Recovery Act funds,
- participation by members at Board meetings, and
- bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits.

Carbon County's policies and procedures did not ensure that it and its subcontractors conformed to the terms of the grants and applicable Federal requirements.

## **UNALLOWABLE COSTS**

### **Inadequately Supported Eligibility Determinations**

Carbon County claimed \$141,759 (\$61,999 in CSBG funds and \$79,760 in CSBG Recovery Act funds) that was unallowable because Carbon County's subcontractors distributed these funds to recipients without adequately supporting the subcontractors' eligibility determinations.

#### *Federal Requirements*

Section 673(2) of the COATES Act states: "Whenever a State determines that it serves the objectives of the block grant program established under this subtitle, the State may revise the poverty line to not to exceed 125 percent of the official poverty line otherwise applicable under this paragraph."

The Recovery Act, Title VIII, *Children and Family Services Programs*, section 3, states: "[F]or services furnished under such Act [i.e., the COATES Act] during fiscal years 2009 and 2010, States may apply the last sentence of Section 673(2) of such Act by substituting '200 percent' for '125 percent.'" This provision specifically applies to grants awarded under the provisions of the Recovery Act (e.g., CSBG Recovery Act grants).

Federal cost principles (2 CFR part 225, App. A, § C.1.) state: “To be allowable under Federal awards, costs must meet the following general criteria: .... j. Be adequately documented.” Similar language appears in 2 CFR part 230, App. A, § A.2.

In addition, Federal regulations (45 CFR § 96.30(a), *Fiscal and Administrative Requirements*), state: “Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authoring the block grant.”

### *State Requirements*

The State agency’s CSBG State plans for FYs 2008 through 2010, *Eligible Population*, states: “Following thoughtful discussion by a Tripartite Board, that board may, at its discretion, allow specific areas whose economies cause a hardship for low-income people at the 100% level to increase that level not to exceed 125% of the official poverty line.”

The State agency’s CSBG American Recovery and Reinvestment Act Program Plan (Recovery Act State plan), *Eligible Population*, states: “The Recovery Act authorizes the State, and its eligible entities, to set the income limit for eligibility to administer CSBG services at up to 200% of the Federal poverty level.”

### *Unallowable Costs*

Of the \$165,346 in CSBG funds awarded to Carbon County for our audit period, \$61,999 was unallowable. Contrary to the provisions of 2 CFR part 225, App. A, § C.1.j, 4 of Carbon County’s 11 subcontractors did not always collect and maintain documentation to support recipients’ application information regarding identification, wages, residency, or family members residing with the recipient. Specifically, 3 of the subcontractors<sup>4</sup> did not have documentation supporting their billings with the names of recipients of services; thus, these subcontractors could not demonstrate how they enforced the 125-percent poverty level threshold established by the COATES Act. One other subcontractor<sup>5</sup> supported its billings with the names of recipients but did not have documentation of recipient income and thus could not demonstrate how it enforced the 125-percent poverty level threshold. In addition, the daycare providers to which Carbon County awarded funds did not support their billings with the names of recipients of services and could not demonstrate how they enforced the 125-percent poverty level threshold. Carbon County could not provide us with any of this documentation, nor could it provide us with evidence that it required its contracted daycare providers to enforce the 125-percent poverty level threshold.

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<sup>4</sup> Boys & Girls Club, Public Health – Emergency Health, and Community Resource Center.

<sup>5</sup> Public Health – Parenting.

For example, Carbon County's largest subcontractor<sup>6</sup> submitted 530 vouchers for emergency health services, with costs totaling \$88,906 for reimbursement from the CSBG grant award, for the review period. We selected a judgmental sample of 30 of the subcontractor's program vouchers, with costs totaling \$5,586, to determine whether the recipients' application information was adequately supported by documentation. We found that for 25 of the 30 program vouchers that we sampled (83 percent), recipients' application information for the program was not adequately supported with the recipients' names or income amounts. The costs associated with these 25 vouchers totaled \$4,734, which equated to a payment error rate of 85 percent (\$4,734/\$5,586) for the sampled vouchers.

We did not perform detailed testing of the eligibility determinations for the remaining program vouchers from the CSBG grant award for the same subcontractor; see additional discussion in "Potentially Unallowable Costs" later in this report.

Of the \$137,045 in CSBG Recovery Act funds awarded to Carbon County for our audit period, \$79,760 was unallowable. Contrary to the provisions of the Federal cost principles (2 CFR part 225), 7 of Carbon County's 11 subcontractors did not always collect and maintain documentation to support recipients' application information regarding identification, wages, residency, or family members residing with the recipient. Specifically, 5 of the subcontractors<sup>7</sup> did not support their billings with the names of recipients of services and thus could not demonstrate how they enforced the 200-percent poverty level threshold established by this statute. One other subcontractor<sup>8</sup> supported its billings with the names of recipients but could not demonstrate how it enforced the 200-percent poverty level threshold. One other subcontractor<sup>9</sup> did not require adequate documentation to verify residency or the number of family members listed on the recipients' applications.

#### *Lack of Policies and Procedures*

These claims were unallowable because Carbon County did not have written policies and procedures to ensure that its subcontractors collected or maintained documentation to support their recipient eligibility determinations. As a result, the State agency overstated its claim to the CSBG and CSBG Recovery Act grants by a total of \$141,759 (\$61,999 + \$79,760).

#### **Additional Deficiencies at Subcontractor Level**

Some of the \$141,759 in unallowable costs discussed above had additional deficiencies (broken out by subcontractor in Appendix A) that would have led to recommended disallowances of those costs. The dollar amounts that we have associated with each of findings discussed below

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<sup>6</sup> Public Health – Emergency Health.

<sup>7</sup> Boys & Girls Club, Big Brothers Big Sisters – Saratoga, Big Brothers Big Sisters – Rawlins, Public Health – Meals, and Community Resource Center.

<sup>8</sup> Public Health – Dental.

<sup>9</sup> Encampment Preschool.

are already included in the costs that we are questioning (from the CSBG funds and CSBG Recovery Act funds) because of the inadequately supported ineligibility determinations.

#### *Unapproved Transfers of Grant Funds*

The State agency's CSBG and CSBG Recovery Act State plans, *Amendments/Waivers* sections, require that CAAs receive approval in writing from the State agency before transferring funds between budget line items (that is, between separate and distinct subcontractor programs). Contrary to these requirements, Carbon County claimed \$9,063 (\$879 in CSBG funds and \$8,184 in CSBG Recovery Act funds) that was unallowable because Carbon County transferred grant funds between subcontractor programs without obtaining prior written approval from the State agency.

#### *Inadequate Documentation of Expenditures*

Federal cost principles (2 CFR part 225, App. A, § C.1.j., and 2 CFR part 230, App. A, § A.2.g.) require that costs be adequately documented to be allowable. Contrary to these requirements, Carbon County claimed \$4,643 (\$2,543 in CSBG funds and \$2,100 in CSBG Recovery Act funds) that was unallowable because subcontractor expenditures were not adequately documented. Specifically, Carbon County created Microsoft Word and Excel invoices to support these expenditures but did not maintain original source documentation such as subcontractor invoices.

#### *Unallowable Entertainment Costs*

Federal cost principles (2 CFR part 225, App. B, § 14, and 2 CFR part 230, App. B, § 14) state that costs of entertainment are unallowable. Carbon County claimed \$4,001 (\$500 in CSBG funds and \$3,501 in CSBG Recovery Act funds)<sup>10</sup> that was unallowable because these subcontractor costs were related to entertainers and bands that performed at children's events. Carbon County did not provide any documentation supporting that these entertainment costs furthered the goals of the CSBG program.

#### *Costs Previously Paid by Other Funding Sources*

The Recovery Act, Title VIII, *Payments to States for the Child Care and Development Block Grant* section, states that Recovery Act grant funds "... shall be used to supplement, not supplant State general revenue funds for child care assistance for low-income families." In addition, according to the State agency's Recovery Act State plan, Recovery Act funds should be used to increase the levels or types of services and activities provided to low-income recipients and should "... not be used to replace previous appropriations of local funds for these purposes. Clearly, the State will not allow the supplanting of other funds with CSBG Recovery Act funds."

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<sup>10</sup> The Boys & Girls Club claimed \$3,501 and the Community Resource Center claimed \$500 in CSBG funds for entertainment expenses totaling \$4,001.

(Emphasis in original.) Federal cost principles (2 CFR part 225, App. A, and 2 CFR part 230, App. A), also provide guidelines for the allowability of costs charged to grant awards.

Contrary to these guidelines, Carbon County claimed \$2,479 in CSBG Recovery Act funds that was unallowable because Carbon County permitted subcontractors to use those grant funds to supplant other funding sources. Specifically, one subcontractor<sup>11</sup> used \$2,381 in CSBG Recovery Act funds for its “I’m A Winner” children’s program that had been funded by another source in prior years. In addition, another subcontractor<sup>12</sup> inappropriately charged \$98 to the CSBG award for tee-shirts and a membership that had been previously paid by another funding source. In both of these cases, the earlier funding sources were still available at the time Carbon County used Recovery Act funds.

#### *Inconsistent Allocations to Community Services Block Grant Recovery Act Funding*

Federal cost principles (2 CFR part 225, App. B, § 8.d.(5), and 2 CFR part 230, App. B, § 8.g.) require that fringe benefits, whether treated as indirect costs or as direct costs, be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities. Contrary to these requirements, Carbon County claimed \$727 of unallowable fringe benefit costs (employer-paid taxes) charged by a subcontractor<sup>13</sup> to the CSBG Recovery Act award. These costs were not chargeable to the award because the salaries and wages associated with these fringe benefits were not paid for from Carbon County’s CSBG Recovery Act funds.

#### *Inadequate Policies and Procedures*

These procedural deficiencies occurred because Carbon County did not have adequate policies and procedures to prevent these errors from occurring. The costs associated with these errors are already included in the costs related to inadequately supported eligibility determinations that we are questioning (from the CSBG funds and CSBG Recovery Act funds).

### **OTHER UNALLOWABLE PAYMENTS**

Carbon County claimed an additional \$1,829 (\$405 in CSBG funds and \$1,424 in CSBG Recovery Act funds) that was unallowable due to a variety of errors, including duplication of claims, lack of documentation, and services that were claimed even though they had previously been funded under another funding source.

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<sup>11</sup> Community Resource Center.

<sup>12</sup> The Boys & Girls Club.

<sup>13</sup> Big Brothers Big Sisters – Saratoga.

## **Federal Requirements**

Federal cost principles (2 CFR part 225, App. A, § C.1.) state: “To be allowable under Federal awards, costs must meet the following general criteria: .... j. Be adequately documented.” Similar language appears in 2 CFR part 230, App. A, § A.2.

## **Unallowable Claims Related to Community Services Block Grant Awards**

Carbon County claimed \$405 in CSBG funds that was unallowable due to a variety of errors, including claims that were either duplicated, inadequately documented, or incorrectly charged to the CSBG even though the services in question had been paid for by another funding source. Specifically, one subcontractor<sup>14</sup> overcharged the CSBG award by \$260 because it made duplicate claims for three vouchers. This subcontractor overcharged the CSBG award by an additional \$145 because the subcontractor did not document all of the expenditures it charged to the award; further, the amounts of costs reflected in the subcontractor’s vouchers did not reconcile to the amounts reported to the State agency.

Carbon County also claimed \$1,424 in CSBG Recovery Act funds that was unallowable because claims were either inadequately documented or incorrectly charged to the CSBG Recovery Act even though the services in question had been paid for by another funding source. Specifically, one subcontractor<sup>15</sup> did not have adequate documentation to support claims made by two restaurants under a meals program.<sup>16</sup> The vendor invoices submitted for payment of meals provided did not match the vendor tracking system for meals provided. This subcontractor also charged the CSBG Recovery Act award for services (provided under its dental program) that had previously been paid by the Medicaid program.<sup>17</sup>

The overpayments occurred because Carbon County had not developed adequate financial management policies and procedures to prevent overpayments for some claims. As a result, Carbon County’s CSBG and CSBG Recovery Act awards were overcharged \$1,829.

## **POTENTIALLY UNALLOWABLE COSTS**

Because our limited scope review identified unallowable costs to the extent summarized above, some of the other costs are potentially unallowable.

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<sup>14</sup> Public Health – Emergency Health.

<sup>15</sup> Public Health – Meals.

<sup>16</sup> The CSBG Recovery Act grant agreement states that the grant “will provide meal services to low-income and disabled individuals.” This service did not have a formal name.

<sup>17</sup> After we identified this overpayment during our fieldwork and brought it to the attention of Carbon County, Carbon County refunded the \$129 through an adjustment to the State agency.

Specifically, our review of 30 judgmentally selected vouchers for an emergency health program<sup>18</sup> identified that 83 percent of the sampled recipients' eligibility determinations for the program were not adequately supported. As a result, 85 percent of claimed costs for the sampled vouchers were not allowable. Due to the limited scope of our review, we did not perform detailed testing of the eligibility determinations for 500 claims totaling \$83,320. In light, however, of the error rates in our judgmental sample, we are referring the \$83,320 for resolution by ACF and the State agency.

## **INADEQUATE INTERNAL CONTROLS**

In addition to the questioned costs and procedural issues discussed above, we noted internal control weaknesses related to Carbon County's:

- monitoring of subcontractors,
- tracking of Recovery Act funds,
- participation by members at Board meetings, and
- bank deposits in excess of FDIC limits.

### **Inadequate Monitoring**

According to the State agency's CSBG and CSBG Recovery Act State plans, CAAs "... will be held responsible for ensuring that they will monitor their [subcontractors] both through desk monitoring (fiscal and performance reports) and on-site monitoring." The 2008—2009 CSBG award agreement between the State agency and Carbon County states that Carbon County: "... shall maintain an oversight capability to monitor and evaluate fiscal and performance activities and to determine program compliance with all applicable laws, rules, regulations, and policies." In addition, the 2009—2010 CSBG award agreement states that the subcontractor "... shall maintain an oversight capability of all service providers to monitor and evaluate the fiscal and performance activities and to determine program compliance with all applicable laws, rules, regulations, and policies."<sup>19</sup>

During our review period, Carbon County did not perform any on-site monitoring of its subcontractors to ensure program compliance. Carbon County personnel stated that there were no written monitoring procedures and that Carbon County monitored subcontractors through phone calls. Carbon County personnel also stated that some of Carbon County's Board members also served on the boards of directors of their subcontractors and that Carbon County used these relationships as a form of monitoring as well (see additional discussion in "Conflict of Interest" section later in this report). The limited nature of these measures indicates that Carbon County did not adequately monitor its subcontractors.

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<sup>18</sup> Public Health – Emergency Health.

<sup>19</sup> The CSBG Recovery Act grant award agreement for 2009—2010 contains similar language.

## **No Separate Accounting of Recovery Act Funds**

ACF's Office of Community Services' Information Memoranda, Transmittal 109, states: "As part of the efforts to ensure transparency and accountability, the [Recovery Act] requires Federal agencies and [State agencies] to track and report separately on expenditures from funds made available by the stimulus bill." Also, according to the State agency's CSBG Recovery Act State plan, *Recovery Act Projects And Services* section, "As required, the State and eligible entities will track Recovery Act funds and activities so that they are clearly distinguishable from non-Recovery Act funds. Funds must be accounted for separately from regular appropriated funds, will have a separate CFDA [Catalogue of Federal Domestic Assistance] number, and require two separate audits."

Carbon County's CSBG Recovery Act expenditures were not separately tracked and reported in accordance with ACF and State plan requirements. Carbon County's accounting system tracked expenditures and payments through payments to subcontractors. However, the bank's check warrants<sup>20</sup> used to credit the general fund bank account did not separately identify the funding sources for the credited amount. As a result, CSBG Recovery Act funds were not separately accounted for and could not be easily identified when credited from the general fund bank account, a situation that increased the risk that CSBG Recovery Act funds were used for non-Recovery Act programs.

## **Inadequate Board Member Participation**

Pursuant to the COATES Act, § 676B(a)(1), a CAA shall administer the community services block grant program through a tripartite Board "that fully participates in the development, planning, implementation, and evaluation of the program to serve low-income communities."<sup>21</sup> Also, Carbon County's bylaws state: "Any Board member absent from three (3) consecutive meetings or engaging in conduct unbecoming a Board member may be reviewed by the Board for reinstatement or dismissal."

According to the Board's minutes, Carbon County did not ensure that the Board adhered to the provisions of its bylaws with respect to the level of participation of some of its members. Five Board members (two representing the low-income category, two representing the community category, and one representing the elected category) had not attended three or more consecutive meetings during the July 2009 through August 2010 timeframe. The Board's minutes gave no indication that the other Board members reviewed the absent members for dismissal as stated in the Board's bylaws. As a result of these absences, there was a lack of representation at Board meetings by all categories required for full participation in the planning, development, implementation, and evaluation of the CSBG program, especially by the Board members

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<sup>20</sup> A check warrant is a certification of a debt, and an authorization for the bank to pay the debt when presented with the warrant.

<sup>21</sup> The COATES Act (§ 676B(a)(2)) requires a tripartite board with one third of its membership comprised of elected public officials, one third comprised of low-income persons and the remaining third comprised of officials or members of business, industry, labor, religious, law enforcement, education or other major groups or interests. Carbon County's bylaws provide for Board membership of not less than 9 members and not more than 15 members.

representing the interests of the low-income category whose members are the specifically targeted recipients of the COATES Act.

### **Uninsured Bank Deposits**

Federal regulations (45 CFR § 74.22(i)(2)) state that CAAs are required to deposit and maintain advances of Federal funds in insured accounts whenever possible. In addition, FDIC policy states that deposits owned by a corporation, partnership, or unincorporated associations are insured up to \$250,000 at a single bank.

Carbon County's CSBG funds and CSBG Recovery Act funds were deposited in Carbon County, Wyoming's general bank accounts, and on more than one occasion those accounts exceeded the FDIC limit of \$250,000. One account was over the FDIC limit for 19 days and the other account exceeded the FDIC limit for the entire grant period of September 22, 2009, through September 30, 2010. Carbon County did not have written cash management policies and procedures to ensure that cash balances did not exceed federally insured limits. As a result, funds that exceeded FDIC limits were subject to an increased risk of loss in the event of a bank failure.

### **RECOMMENDATIONS**

We recommend that the State agency:

- make a financial adjustment to ACF of \$143,588 for costs claimed by Carbon County that did not conform to the terms of the CSBG and CSBG Recovery Act grants and applicable Federal requirements,
- work with ACF to determine whether the eligibility determinations associated with the \$83,320 were correctly made and make a financial adjustment to ACF of any unallowable costs, and
- ensure that Carbon County either establishes or strengthens policies, procedures, and related internal controls regarding eligibility determinations, documentation, funds management, and oversight and monitoring of the CSBG program.

### **CARBON COUNTY COMMUNITY ACTION COMMITTEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, Carbon County agreed in general that monitoring and policies and procedures could be improved and agreed with our third recommendation, but it generally disagreed with the specifics of our findings related to our other two recommendations.

A summary of Carbon County's main points of disagreement and our responses follows.

Our draft report included an internal control finding related to conflicts of interest. In its comments, Carbon County said that it felt that it was important to continue providing services to

the community as long as Board members declared conflicts of interest and did not vote on matters with which they had a conflict. Our draft report also included another internal control finding related to segregation of duties. Carbon County disagreed with this finding and provided additional information on the issue.

Carbon County's comments, in which we have redacted personally identifiable information, are included as Appendix B.

After reviewing Carbon County's comments, we removed our findings regarding conflicts of interest and segregation of duties. While acknowledging Carbon County's efforts to improve policies and procedures and its monitoring of subcontractors, we maintain that our other findings and recommendations remain valid.<sup>22</sup>

### **Inadequately Supported Eligibility Determinations**

#### *Carbon County Community Action Committee Comments*

Carbon County agreed that monitoring could be improved and said that it had hired a consultant to provide periodic monitoring of all subcontractors. Carbon County added that to its knowledge, its subcontractors were collecting and maintaining the required information. With respect to our finding that some subcontractors did not have documentation supporting their billing with the names of recipients of services, Carbon County stated that this was not a requirement for adequate documentation and that there were other ways to fulfill this requirement. Carbon County also stated that the Health Insurance Portability and Accountability Act of 1996 (HIPAA) prohibited some subcontractors from providing names.<sup>23</sup> Carbon County questioned whether the provision of names was an actual requirement in light of the fact that we had given one subcontractor permission not to provide names.

#### *Office of Inspector General Response*

We disagree with Carbon County concerning the adequacy of its supporting documentation for its eligibility determinations. The deficiencies we noted regarding supporting documentation for eligibility determinations involved more than just a lack of recipient names. In many cases, Carbon County's subcontractors had no documentation at all to support Carbon County's eligibility determinations. Carbon County's subcontractors simply accepted a recipient's verbal response during the application process to determine eligibility. Even when some documentation existed, there was no support in many cases for recipient income or residency to support eligibility determinations. Further, HIPAA does not prohibit Carbon County from collecting and maintaining documentation to adequately support its eligibility determinations. Although we

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<sup>22</sup> Based on the State agency's comments, for our final report we reduced the amount of our questioned costs and modified our first recommendation accordingly. Thus, some of the dollar amounts conveyed in this final report differ from the amounts that appeared in the draft reports that we gave to both Carbon County and the State agency for comment.

<sup>23</sup> P.L. No. 104-191.

gave one subcontractor (Citizens Organized to see Violence End, Inc. (COVE)) permission not to provide names, we did so based on the nature of the program (domestic violence cases) and the immaterial amount of CSBG grant funds allocated to it. We informed Carbon County of this decision and its rationale during our fieldwork. Therefore, nothing in Carbon County's comments caused us to change our recommendations.

## **Lack of Policies and Procedures**

### *Carbon County Community Action Committee Comments*

Carbon County stated that in conjunction with the State agency, it was always appropriate to improve or establish policies and procedures, and to ensure that subcontractors comply with applicable laws, rules, regulations and policies. Carbon County said that it had hired a consultant to monitor the Board and had requested that the State agency provide training sufficient to assist the Board in its duties of implementing and administering CSBG funds. Carbon County added that it believed that its contracts with its subcontractors and the State agency advised subcontractors of their responsibilities and that the subcontractors had complied with those responsibilities.

### *Office of Inspector General Response*

While we acknowledge Carbon County's efforts to improve its policies and procedures and its monitoring of its subcontractors, we disagree with Carbon County that it or its subcontractors had complied with Federal regulations. As stated in "Specific Comments on Office of Inspector General Recommendations" below, we maintain that the procedural courses of action called for in our third recommendation remain valid.

## **Unapproved Transfers of Grant Funds**

### *Carbon County Community Action Committee Comments*

Carbon County stated that an amendment request was made to and subsequently approved by the State agency. Carbon County said this was evidenced by the fact that (a) it was required to submit monthly expenditure reports to an online system maintained by the State agency and (b) these reports reflected budgeted amounts that the State agency could amend but that users like Carbon County could not. Carbon County stated its belief that the change to the budgeted amount in this reporting system constituted written authorization of an amendment.

### *Office of Inspector General Response*

We disagree with Carbon County. Wyoming's CSBG and CSBG Recovery Act State plans specifically require Carbon County to request in writing the State agency's prior approval for the transfer of funds between budget line items. In addition, Carbon County must receive the State agency's approval in writing before transferring the funds. We requested documentation of this formal request and approval during our fieldwork, but Carbon County did not provide the

requested documentation. Therefore, nothing in Carbon County's comments caused us to change this finding or the associated recommendation.

### **Inadequate Documentation of Expenditures**

#### *Carbon County Community Action Committee Comments*

Carbon County stated that it felt that all of its expenditures were adequately documented and that subcontractor or vendor invoices were maintained in all instances. Carbon County then stated that it would need more specific detail to dispute this finding.

#### *Office of Inspector General Response*

Our finding involved the use of Excel and Word software programs with which Carbon County created invoices to support subcontractor expenditures totaling \$4,643. We do not regard these invoices as adequate supporting documentation because these were not original subcontractor or vendor invoices. We made Carbon County aware of these specific expenditures during our fieldwork. Therefore, nothing in Carbon County's comments caused us to change this finding or the associated recommendation.

### **Unallowable Entertainment Costs**

#### *Carbon County Community Action Committee Comments*

Carbon County stated that it felt that the expenditures were appropriate because they were, not for entertainers, but rather for educational activities as described by the subcontractor.

#### *Office of Inspector General Response*

We disagree with Carbon County as to the nature of these expenditures. The subcontractor's contract with the entertainer specifically used the terminology "Purchaser of Entertainment" and had no language describing the services as educational. Neither Carbon County nor its subcontractor explained or provided supporting documentation regarding how these expenditures met the CSBG program goals to address, reduce and eliminate the conditions of poverty. Therefore, nothing in Carbon County's comments caused us to change this finding or the associated recommendation.

### **Costs Previously Paid by Other Funding Sources**

#### *Carbon County Community Action Committee Comments*

Carbon County stated that its subcontractor did not supplant CSBG grant funds with Recovery Act funds. Carbon County said that the subcontractor had held similar past events with the same title ("I'm a Winner") and that these events had been funded with dues paid and donations made by numerous businesses. Carbon County added that although the Recovery Act funding in and of itself did not provide any new or additional services, the subcontractor was able to provide

new services using the dues and donations that would otherwise have been employed to fund the event. These new services included the provision of food baskets for a local agency and staple items for the local Women, Infant and Children's (WIC) program. Carbon County stated that these new services would not have been offered without the Recovery Act funding for the event, and that the two funding sources allowed for a larger overall program and did not offset each other. Carbon County said that it believed that it had complied with the criteria we cited (the relevant sections of the Recovery Act and the State agency's Recovery Act State plan) in our presentation of this finding.

*Office of Inspector General Response*

We disagree with Carbon County. Carbon County did not provide any documentation to support that the funds it diverted from its "I'm a Winner" event were used to fund or increase services to the WIC program. Nor did Carbon County increase services offered under its "I'm a Winner" event. Thus, Carbon County did not comply with the relevant provisions of the Recovery Act and the State agency's Recovery Act State plan. We also point out that rather than supplanting its regular funding source with Recovery Act funds for the "I'm a Winner" event, Carbon County could simply have applied to use Recovery Act funds to increase WIC program services. Accordingly, nothing in Carbon County's comments caused us to change this finding or the associated recommendation.

**Inconsistent Allocations to Community Services Block Grant  
Recovery Act Funding**

*Carbon County Community Action Committee Comments*

Regarding our finding of unallowable fringe benefit costs charged by a subcontractor, Carbon County stated that the requirements of 2 CFR part 230 were "likely misunderstood." Carbon County also stated that the fringe benefits charged to CSBG funds were consistent with the benefits that individuals could charge and that Carbon County misunderstood the "confusing language" of this requirement to pay the salary from the same grant as the benefits.

*Office of Inspector General Response*

Nothing in Carbon County's comments caused us to change this finding or the associated recommendation.

**Inadequate Monitoring**

*Carbon County Community Action Committee Comments*

Regarding the first of the internal control weaknesses that we identified, Carbon County stated that it would welcome State agency monitoring to ensure that it was correctly administering grant funds. Carbon County added that it had hired a consultant to provide on-site monitoring of all subcontractors.

*Office of Inspector General Response*

We acknowledge Carbon County's efforts to improve policies and procedures and its monitoring of subcontractors.

**No Separate Accounting of Recovery Act Funds**

*Carbon County Community Action Committee Comments*

Carbon County stated that CSBG funds were at all times tracked separately from other county funds and Recovery Act funds. Carbon County explained that the County Treasurer noted the incorrect account number in the county's financial system and that this error did not constitute misuse of funds. Carbon County further stated that it was a "major stretch" for us to allege that the funds were not separately tracked.

*Office of Inspector General Response*

We do not state that the County Treasurer misused CSBG or Recovery Act funds. In fact, we state in this finding that Carbon County tracked paid claims in the accounting system. However, Carbon County's CSBG funds and CSBG Recovery Act funds were deposited in the county's bank accounts along with funds from other funding sources, which essentially commingled the funds. Carbon County used check warrants which did not separately identify the funding sources for the amounts credited to various subcontractors, and as a result Recovery Act funds could not be separately tracked when paid to the subcontractors as provided by ACF guidance and the State agency's CSBG Recovery Act State plan. Therefore, there was an increased risk that CSBG Recovery Act funds were used for non-Recovery Act programs.

**Inadequate Board Member Participation**

*Carbon County Community Action Committee Comments*

Carbon County stated that it would be "... unfair to penalize subcontractors and the low-income populations of the county for a few individuals who committed to serve on a volunteer board and subsequently failed to keep their commitment." In response to our statement that the Board's minutes gave no indication that the other Board members reviewed the absent members for dismissal, Carbon County stated that the Board has only action minutes and that other issues are simply generalized in the contents of the minutes. Carbon County also stated that it had made numerous attempts to contact the absent Board members and pointed out that because Board members come from a small community and serve without compensation, it is difficult to recruit new members.

*Office of Inspector General Response*

It is not the intent of our findings or recommendations to penalize subcontractors or the low-income individuals who represent Carbon County's target population for the absences of Board members. Our intent is to point out that contrary to Carbon County's bylaws, a significant

number of Board members was consistently absent, and nothing in Carbon County's Board minutes indicated that the Board attempted to replace absent members. We would further point out that the CSBG Act specifically addresses the inclusion of members of the local low-income population to ensure representation of that population on the Board. It remains our position that a more active and representative Board would provide better oversight and monitoring of the program.

## **Uninsured Bank Deposits**

### *Carbon County Community Action Committee Comments*

Carbon County stated that our finding concerning its bank deposits was incorrect. Carbon County stated that its accounts had the \$250,000 FDIC collateral and that the amounts in those accounts that exceeded the \$250,000 FDIC limit were collateralized by the bank and were therefore not at an increased risk of loss in the event of a bank failure.

### *Office of Inspector General Response*

We disagree with Carbon County. Accounts collateralized by a bank are at a higher risk of loss in the event of a bank failure than are accounts that are fully insured by the FDIC. Nothing in Carbon County's comments caused us to change this finding.

## **Specific Comments on Office of Inspector General Recommendations**

### *Carbon County Community Action Committee Comments*

Carbon County agreed with our third recommendation related to establishing or strengthening its policies, procedures, and related internal controls. Regarding our first recommendation regarding a financial adjustment of \$143,588, Carbon County requested that the final determining authority not require the State agency to make any adjustment to ACF "... simply for minor and inadvertent mistakes that may or may not have occurred in rare instances by anyone involved." Carbon County stated that if the State agency were to request that these funds be repaid by Carbon County and, in turn, its subcontractors, it would be "unfair and unjust" because a repayment requirement could cause the subcontractors to cease providing their important and necessary services. Carbon County requested that if a financial adjustment were to be required, Carbon County be allowed to apply any future allocation of CSBG funds to the adjustment.

Regarding our second recommendation related to eligibility determinations, Carbon County stated that it felt it had been adequately audited since the inception of this audit in July 2011 and that it is making every effort to improve any deficiencies. Carbon County respectfully requested that this effort cease.

## *Office of Inspector General Response*

Except for the removal of our findings regarding conflicts of interest and segregation of duties, nothing in Carbon County's comments caused us to change our findings or recommendations.

### **STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the State agency concurred with our third recommendation but did not concur with our first two recommendations. A summary of the State agency's comments and our response follows.

The State agency's comments appear in their entirety as Appendix C.

After reviewing the State agency's comments and the grant award requirements, we accepted \$21,433 in costs that we had questioned in our draft reports and revised the amounts of our questioned costs and the associated first recommendation accordingly. Otherwise, we maintain that our findings and recommendations are valid.

#### **Inadequately Supported Eligibility Determinations**

##### *State Agency Comments*

The State agency prefaced its specific comments on our draft report by saying that it did not have the original client application files or reimbursement billing documentation from Carbon County and "... can only make considerations according to the information provided."

The State agency disagreed with our findings regarding inadequately supported eligibility determinations. The State agency pointed out that after it published its FY 2010 CSBG State plan, it raised the poverty level threshold for recipient income to 200 percent of the Federal poverty level and notified all tripartite boards of that change; further, the State agency named several subcontractors that had verified that recipient income did not exceed the 200-percent poverty level threshold. The State agency also described the programs and services that each of the subcontractors named in our findings had funded with CSBG and CSBG Recovery Act grant awards. According to the State agency, several of the subcontractors<sup>24</sup> mentioned in our findings maintained recipient application and/or income information on site. For other subcontractors, the State agency explained why individual recipient names were not documented. For example, in the case of Public Health – Emergency Health (see footnote 3), "[w]hen submitting bills to the Tripartite Board, names must be abstracted since the payments are made through the local government and become public property. This is to ensure [HIPAA] regulations are not violated."

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<sup>24</sup> Boys & Girls Club, Public Health – Emergency Health, Public Health – Parenting, daycare providers, and Public Health – Meals.

*Office of Inspector General Response*

Regarding the State agency's prefatory statement that it did not have the original client application files or reimbursement billing documentation from Carbon County, we note that while the actual files and billing documentation may have resided in Carbon County, the Recovery Act required the State agency to monitor the CAAs to which it awarded grant funds. The Catalog of Federal Domestic Assistance, No. 93.710, for the Recovery Act CSBG program states: "The State also must describe how it will incorporate monitoring of Recovery Act funds into its regular monitoring of CSBG eligible entities. This includes descriptions of how the State will monitor restrictions on administrative expenses, eligible recipients, board requirements for community action agencies and other nonprofit organizations, fiscal control, monitoring..." (emphasis added).<sup>25</sup> In addition, ACF guidance for the administration of CSBG Recovery Act funds states that "States are required to monitor eligible entities' administrative, financial and program operations as prescribed in the CSBG Act."<sup>26</sup> Therefore, the State agency has a statutory responsibility to exercise adequate oversight by ensuring that Carbon County (and other CAAs) correctly monitored the CSBG program.

After reviewing the State agency's comments and the grant award requirements, we accepted \$21,433 in costs for three subcontractors that our draft reports had questioned. We revised the amounts of our questioned costs and the associated first recommendation accordingly. Specifically, we accepted \$16,909 for the Boys & Girls Club (see footnote 7) because that subcontractor provided a youth development center, funded a position for computer literacy and Internet safety classes, and adequately documented its supply purchases in accordance with its agreement with Carbon County and the State agency. We also accepted \$2,940 for Western Wyoming Family Planning because that subcontractor purchased and adequately documented supplies to provide testing and educational material for sexually transmitted diseases and human immunodeficiency virus, as stated in the subcontractor's agreement with Carbon County and the State agency. In addition, we accepted \$1,584 in costs claimed for the publication of a Resources Directory, because Community Resource Center provided that Directory according to its agreement with Carbon County and the State agency and because it provided adequate documentation for the expenditures.

We maintain that our remaining findings and recommendations are still valid. With respect to the State agency's statement that several subcontractors had verified that recipient income did not exceed the 200-percent poverty level threshold, neither the State agency nor Carbon County provided us with the supporting documentation demonstrating that the recipients of the services in question met the eligibility requirements. The State agency's comments described some subcontractors' recipient income verification processes, and either offered reasons why some subcontractors did not maintain documentation of individual recipient information or else stated

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<sup>25</sup> Catalog of Federal Domestic Assistance  
<https://www.cfda.gov/?s=program&mode=form&tab=step1&id=7a4609448404d3d601806d0be30341eb> (accessed June 4, 2013).

<sup>26</sup> CSBG ARRA Questions and Answers, Reporting and Monitoring, Question 6  
<http://www.acf.hhs.gov/programs/ocs/resource/csbg-arra-questions-and-answers-i?page=all> (accessed June 5, 2013).

that subcontractors maintained documentation on site. However, as noted in our response to Carbon County's comments, in many cases Carbon County's subcontractors had no documentation at all to support Carbon County's eligibility determinations, and simply accepted a recipient's verbal response during the application process to determine eligibility.

### **Additional Deficiencies at Subcontractor Level**

#### *State Agency Comments*

The State agency provided mixed responses to our findings regarding additional deficiencies at the subcontractor level. The State agency agreed with our finding regarding \$727 of unallowable fringe benefit costs charged by a subcontractor<sup>27</sup> to the CSBG Recovery Act award and either disagreed with or did not directly address our other findings regarding additional deficiencies at the subcontractor level. For our finding on the unapproved transfers of grant funds, the State agency said that provider-level budget line item changes and transfers were not made without prior approval from the State agency, and added that “[i]t is common practice to authorize these changes through email....” For our findings on inadequate documentation of expenditures and costs previously paid by other funding sources, the State agency said that it could not agree or disagree without being provided specific details and documentation. The State agency disagreed with our finding on unallowable entertainment costs and said that both of the subcontractors in question (see footnote 10) used music as “... an alternative method of teaching children rather than a form of entertainment.” Finally, the State agency said that it would assist Carbon County in revising, establishing, and strengthening policies and procedures.

#### *Office of Inspector General Response*

Regarding the unapproved transfers of grant funds, we disagree with the State agency's comments and again point out that the State agency's CSBG and CSBG Recovery Act State plans required prior requests and approvals in writing before CSBG and CSBG Recovery Act funds could be transferred. Neither Carbon County nor the State agency provided us with either prior written requests or approvals, notwithstanding Carbon County's stated belief that the change to the budgeted amount in the State agency's reporting system constituted written authorization of an amendment.

The State agency said that it could not agree or disagree with our findings on inadequate documentation of expenditures and costs previously paid by other funding sources because it did not have specific details and documentation. The CSBG Act, the Recovery Act, and ACF guidance, however, all specify that the State agency is responsible to adequately monitor the CAAs to which the State agency awarded CSBG and CSBG Recovery Act funds. The State agency did not adequately monitor Carbon County and, in turn, Carbon County did not adequately monitor its subcontractors. Had monitoring reviews been performed by either Carbon County or the State agency, it is likely that subcontractor deficiencies would have been identified.

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<sup>27</sup> Big Brothers Big Sisters – Saratoga.

Regarding the unallowable entertainment costs, we disagree with the State agency's comments. Carbon County's subcontracts described the subcontractors' services as "entertainment." In addition, the subcontracts did not explain or provide supporting documentation regarding how these entertainment services furthered the goals of the CSBG program. Therefore, nothing in the State agency's comments caused us to change our recommendations concerning these deficiencies.

## **Other Unallowable Payments**

### *State Agency Comments*

The State agency agreed with our finding that a subcontractor<sup>28</sup> charged \$129 to the CSBG Recovery Act award for dental services that had previously been paid by the Medicaid program. With respect to our other findings on claims that were unallowable because they were either duplicated or inadequately documented or because they had previously been paid for by another funding source (see footnotes 14, 15, and 16), the State agency said that it could not agree or disagree with these findings without further documentation or specific details.

### *Office of Inspector General Response*

As provided for in the CSBG Act, the Recovery Act, and ACF guidance, it is the State agency's responsibility to adequately monitor the CAAs to which the State agency awarded CSBG and CSBG Recovery Acts funds. The State agency awarded some of these grant funds to Carbon County, and that entity should therefore have conducted on-site monitoring of the subcontractors to which it awarded grant funds. The State agency did not adequately monitor Carbon County and, in turn, Carbon County did not adequately monitor its subcontractors. The subcontractors did not conform to the cost principles because they did not collect and maintain adequate documentation to support their eligibility determinations. Had monitoring reviews been performed by either Carbon County or the State agency, it is likely that subcontractor deficiencies would have been identified. Therefore, nothing in the State agency's comments caused us to change our findings or recommendations regarding these other unallowable payments.

## **Potentially Unallowable Costs**

### *State Agency Comments*

The State agency did not concur with our second recommendation regarding the \$83,320 in costs that we set aside. The State agency described the subcontractor's (see footnote 18) recipient application process and the State-level income eligibility verification process. The State agency added that recipient names were not attached to invoices to protect the recipients' privacy.

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<sup>28</sup> Public Health – Dental. See also footnote 17.

### *Office of Inspector General Response*

The information that the State agency provided on application and verification processes did not—in light of the high error rate that we had identified—cause us to change our second recommendation. Our earlier comments regarding the inadequacy of documentation supporting eligibility determinations are applicable here as well. Although the State agency described the subcontractor’s recipient application process and the State-level income eligibility verification process, in many cases Carbon County’s subcontractors had no documentation at all to support Carbon County’s eligibility determinations. Even when some documentation existed, there was no support in many cases for recipient income or residency to support eligibility determinations. Further, HIPAA does not prohibit Carbon County from collecting and maintaining documentation to adequately support its eligibility determinations.

### **Inadequate Internal Controls**

#### *State Agency Comments*

The State agency concurred with our third recommendation and described corrective actions that it had taken or planned to take. With respect to the internal control weaknesses that contributed to this recommendation, the State agency agreed with our first finding regarding Carbon County’s inadequate monitoring of its subcontractors. The State agency added (as Carbon County also indicated in its comments on our draft report) that Carbon County had hired a contractor to provide on-site monitoring “... for each of the service providers.”

The State agency disagreed with our other three internal control findings. For our finding that Carbon County’s CSBG Recovery Act expenditures were not separately tracked and reported, the State agency said that Carbon County “... maintains that even though the County Treasurer erroneously noted an incorrect account number in the County’s financial system when receipting the funds, there was never any misuse of funding.” Regarding Board member participation, the State agency said that Carbon County made numerous attempts to contact the absent Board members and added that Carbon County had implemented changes to its process and was actively seeking new members. Regarding uninsured bank accounts, the State agency cited Carbon County’s statement that its bank accounts were insured and “... amounts in excess are collateralized by the bank.” The State agency also summarized the amounts that Carbon County held in its accounts and, summing those amounts, concluded that “... it seems unlikely that the accounts would ever be over the \$250,000 limit.”

### *Office of Inspector General Response*

We maintain that all of the internal control weaknesses that we identified remain valid. Nothing in the State agency’s comments caused us to change our finding that Carbon County’s CSBG Recovery Act expenditures were not separately tracked and reported. As we said in our response to Carbon County’s comments, we did not state that the County Treasurer misused CSBG or Recovery Act funds. However, Carbon County’s CSBG funds and Recovery Act funds were deposited in the county’s bank accounts along with funds from other funding sources, which essentially commingled the funds. Carbon County used check warrants which did not separately

identify the funding sources for the amounts credited to various subcontractors, and as a result Recovery Act funds could not be separately tracked when paid to the subcontractors as provided by ACF guidance and the State agency's CSBG Recovery Act State Plan. Therefore, there was an increased risk that CSBG Recovery Act funds were used for non-Recovery Act programs.

With respect to Board member participation, we acknowledge the State agency's comment that Carbon County had implemented changes to its process and was actively seeking new members. However, we continue to point out, as we did in our response to Carbon County's comments, that the consistent absences of a significant number of Board members from Board meetings constituted a violation of Carbon County's own bylaws. We also continue to have concerns about the adequate participation of the required population groups within Carbon County's local community, especially the low-income population.

Finally, we disagree with the State agency concerning the uninsured bank account. As we stated in our response to Carbon County's similar comments, accounts collateralized by a bank are at higher risk of loss in the event of a bank failure than are accounts that are fully insured by the FDIC. Further, although the State agency said that it would be unlikely that Carbon County's bank accounts would ever exceed the FDIC limit, we note that during our fieldwork we identified at least two separate occasions when that in fact happened.

## **Technical Comments**

### *State Agency Comments*

The State agency's comments included technical comments related to Carbon County's formal name and its status as a nonprofit CAA, the relevant Federal cost principles, the grant periods for which CSBG and CSBG Recovery Act funds were allocated, and the amounts of that funding.

### *Office of Inspector General Response*

After reviewing the State agency's technical comments concerning Carbon County's status as a CAA and the relevant Federal cost principles, we revised our final report to clarify Carbon County's status as a local governmental entity and to clarify the applicability of Federal cost principles to governmental entities, grantees, and subcontractors. We note that the cost principles applicable to the State agency and Carbon County (2 CFR part 225) convey the same documentation requirements as do the cost principles applicable to Carbon County's subcontractors (2 CFR part 230). With respect to the State agency's other technical comments, we did not change the language in our final report because the documentation that Carbon County provided to us supported our report's description of Carbon County's grant periods and the amounts of funding that we reviewed.

The difference between the amounts that the State agency mentioned in its comments and the actual amounts stated in the CSBG and CSBG Recovery Act grant award agreements was due to the "Set-Aside" funding that, as stated in "Scope," was outside the scope of our review and that, therefore, we did not audit.

# **APPENDIXES**

**APPENDIX A: ADDITIONAL DEFICIENCIES BY SUBCONTRACTOR**

	<b>Unauthorized Transfer of Grant Funds</b>	<b>Insufficient Expenditure Documentation</b>	<b>Unallowable Entertainment Expenditures</b>	<b>Unallowable Supplanting</b>	<b>Unallowable Claims Paid By Another Funding Source</b>	<b>Inconsistent Allocations</b>
<b>Community Resource Center/Youth Services</b>		x	x	x		
<b>COVE</b>						
<b>Western Wyoming Family Planning</b>						
<b>Public Health/Emergency Health</b>		x			x	
<b>Public Health/Parenting</b>						
<b>Public Health/Meals</b>	x				x	
<b>Public Health/Dental</b>					x	
<b>Boys and Girls Club</b>	x	x	x		x	
<b>Encampment Preschool</b>						
<b>Big Brothers Big Sisters of Rawlins</b>						
<b>Big Brothers Big Sisters of Saratoga</b>						x

## APPENDIX B: CARBON COUNTY COMMUNITY ACTION COMMITTEE COMMENTS

*FINAL*

CARBON COUNTY ACTION COMMITTEE  
P.O. BOX 6  
RAWLINS, WY 82301  
(307) 328-2668  
FAX: (307) 328-2669  
e-mail: gwynnbarlett@carbonwy.com

January 20, 2013

Department of Health and Human Services  
Office of Inspector General  
Via e-mail to: [james.korn@oig.hhs.gov](mailto:james.korn@oig.hhs.gov)

RE: Report entitled "NOT ALL COMMUNITY SERVICES BLOCK GRANT COSTS CLAIMED ON BEHALF OF THE CARBON COUNTY COMMUNITY ACTION COMMITTEE FOR THE PERIOD OCTOBER 1, 2008 THROUGH SEPTEMBER 30, 2010 WERE ALLOWABLE"

Dear Mr. Korn:

We, the Carbon County Community Action Program (CCCAP) through our secretary Gwynn Bartlett, would like to respectfully respond to the above mentioned "draft report". In June 2012, we were provided with an "exceptions report" (attached as Exhibit A) from [REDACTED] Auditor Region VII, with specific findings and told the draft report would arrive July 2, 2012. We now have the reference draft report and we would like to address the specific findings.

**Page 5 - Inadequately Supported Eligibility Determinations:** We agree that monitoring could be improved on which is why the CCCAP has hired a consultant to provide periodic monitoring of all subgrantees. To our knowledge, the subrecipients were collecting and maintaining the required information. There are references in the draft report to names of recipients not being provided however we argue that the names are not a requirement to provide adequate documentation and there are other ways to achieve this. HIPPA would prohibit some subgrantees from providing these names and further the auditors approved one Subgrantee to not provide names and we wonder why the auditors are making that call if this is truly a requirement.

**Page 7 - Lack of Policies and Procedures:** We agree that, in conjunction with the State of Wyoming Department of Health (DOH), it is always appropriate to improve upon or establish policies, procedures, and to ensure subcontractors comply with applicable laws, rules, regulations, and policies. In addition to hiring a consultant to provide monitoring our board has also requested DOH provide training sufficient to assist our board in our duties of implementing and administering CSBG funds. The board did use a contract with subgrantees and we believed it and our contract with DOH advised the subgrantees of their responsibilities and that they had complied with those responsibilities.

**Page 8 – Unapproved Transfers of Grant Funds:** An amendment request was made to the Wyoming Department of Health (DOH), [REDACTED], and subsequently approved [REDACTED]. This is evidenced by the fact that the CCCAP is required to submit monthly expenditure reports using an online system developed by the DOH, cmReporter. These reports show a budgeted amount that cannot be amended by the user but only by the DOH. The referenced expenditures would have caused a negative balance in a particular line item had an amendment to the budgeted amount not been made by DOH. DOH's change to the budgeted amount in cmReporter would only be due to a request by CCCAP and approval of a budget amendment. We feel that the change to the budgeted amount in the reporting system constituted written authorization of an amendment.

**Page 8 – Inadequate Documentation of Expenditures:** We feel all expenditures were adequately documented and subcontractor or vendor invoices were maintained in all instances. We would need more specific detail to dispute this finding.

**Page 8 – Unallowable Entertainment Costs:** We felt that these expenditures were appropriate at the time approved as these were educational events and these were not "entertainers" but rather "educational activities" as described to us by the subgrantees.

**Page 8 – Costs Previously Paid by Other Funding Sources:** This finding alleges that a subgrantee supplanted CSBG funds with ARRA funds (or CSBG Recovery Act Funds) however we would argue that grant funds were not supplanted as the funds allowed for additional services. While the subgrantee held past events with the same title, the past events were funded strictly by numerous businesses \$25.00 dues paid to the agency as well as donations from numerous businesses. While the ARRA funded event did not provide any new or additional services itself, the subgrantee was able to provide new services with the dues and donations that they would have otherwise used for the event in question. These new services included things such as providing food baskets for a local agency and providing staple items for the local Women, Infant and Children's program – services that would not have been offered without the ARRA funding for the event. The two referenced awards allowed for a larger overall program and did not offset each other and therefore, in our view, should not be considered supplanting.

Further, we feel we did comply with the reference in the criteria section of this condition.

**Page 9 – Inconsistent Allocations to Community Services Block Grant Recovery Act Funding:** Honestly, the requirements of 2CFR part 230 mentioned in the draft report were likely misunderstood. The fringe benefits charged to CSBG funds were consistent with benefits that individuals could charge and we simply misunderstood the confusing language in this requirement to pay the salary from the same grant as the benefits.

**Page 9 – Inadequate Policies and Procedures:** As stated above, we agree that, in conjunction with the State of Wyoming Department of Health, it is always appropriate to improve upon or establish policies, procedures, and to ensure subcontractors comply with applicable laws, rules, regulations, and policies.

**Page 11 – Inadequate Monitoring:** First and foremost the CCCAP would welcome monitoring from the State of Wyoming Department of Health to ensure we are correctly implementing these funds. In addition, again, we have hired a consultant to provide on-site monitoring of all subgrantees.

**Page 11 – No Separate Accounting of Recovery Act Funds:** CSBG funds were, at all times, tracked separately from other county funds and recovery act funds were tracked separately as well. The County Treasurer simply noted the incorrect account number in the county's financial system when receipting funds. The County Clerk and member of the CCCAP did track these funds separately in the state's online reporting system as well as in her files. The Treasurer's error did not constitute the misuse of funds in any manner and we believe it is a major stretch to allege the funds were not tracked separately.

**Page 12 – Inadequate Board Member Participation:** It would be unfair to penalize subcontractors and the low-income populations of the county for a few individuals who committed to serve on a volunteer board and subsequently failed to keep their commitment. Further, the draft report states that the board's minutes never gave any indication that members were reviewed for their absences. The board has only action minutes and other items are simply generalized in the contents of the minutes. These members' absences were addressed on numerous occasions and we did make numerous attempts to contact the absent individuals.

**Page 12 – Conflicts of Interest:** The alleged failure by the board to review the absent members for dismissal is incorrect. Article III, Section 2(c) of the Carbon County Community Action Program (CCCAP) By-Laws state *"Any Board member absent from three (3) consecutive meetings or engaged in conduct unbecoming a Board member may be reviewed by the Board for reinstatement or dismissal....."* We would argue that because the By-Laws state "may" rather than shall, it was the board's option to review these absences.

It seems that OIG believes all categories of our board must be represented however our by-laws do not require this.

Finally, there were several occasions where members' absences were discussed and attempts were often made to contact the absent individuals to determine if they were still interested in serving on the board. Keep in mind that this is strictly a volunteer board with no compensation and that in a small community/county such as this, it is difficult and at times impossible to recruit new members to serve. Due to this, the board is often hesitant to remove individuals without making every attempt to ask them to continue their service and without having a replacement. We felt that it was important to continue to provide the services for the community as long as the individuals serving on the board declared conflicts and did not participate in votes they were conflicted on.

**Page 14 – Lack of Segregation of Duties:** This finding is completely false. Carbon County did NOT allow for a subcontractor to authorize and pay for any expenditures. As stated in Condition 8 above, there are adequate segregation of duties for the county with the department heads stamping each invoice and coding it with the proper account number, submitting that invoice to the County Clerk for review and processing. The Clerk then presents all invoices to the Board of County Commissioners who authorizes payment through motion in a public meeting. The approved invoices are then paid with county

warrants issued by the County Clerk and subsequently cleared by the County Treasurer. We are unclear on how the subcontractor is alleged to have "authorized and paid" for any expenditure noting the procedures above as that Subgrantee has absolutely nothing to do with the authorization or payment. She simply codes an invoice.

Page 14 – Uninsured Bank Deposits: Again, we feel this finding is false. We have checked through all the County's Audits during the referenced period and found that the accounts in question have the \$250,000.00 FDIC collateral and the amounts in both accounts that exceeded the \$250,000.00 FDIC limit were collateralized by the bank therefore there was not an increased risk of loss in the event of a bank failure.

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While there was never any intent on the part of CCCAP or its subcontractors to use funds for unallowable items, we feel that our board has taken steps to ensure appropriate use of funds including hiring a consultant to perform monitoring, actively trying to recruit new board members, requesting the State assist with revisions to our policies and procedures as needed, as well as requesting additional training for all current and future board members from the State of Wyoming Department of Health. We are simply volunteers doing our best to ensure the proper use of federal grant funds while trying to provide necessary services to our low-income populations.

We would respectfully request that the final determining authority not require the State of Wyoming make any adjustments to ACF for costs claimed by Carbon County simply due to minor and inadvertent mistakes that may or may not have occurred in rare instances by anyone involved. If this were to happen, the State may request these funds be repaid by the county or CCCAP and in turn by CCCAP's subcontractors. In our opinion, it would be unfair and unjust for the repayment to be required. These subcontractors likely do not have the funds to repay and we fear that any repayment requirement could cause them to cease providing their very important and necessary services all together. If any adjustments are required to be made, we would request that we be allowed to apply any future allocation of CSBG funds towards the adjustment.

As far as the second bullet point in the recommendations section on Page 15, we feel that we have been adequately audited since the inception of this audit almost 19 months ago (July 2011). We are making every effort to improve upon anything we are deficient in and would respectfully request this effort cease.

Further as stated numerous times throughout this response, we are always happy to implement or revise any policy and procedure to ensure compliance with any applicable law, rule or regulation and would agree with the recommendation on the third bullet point on Page 15 of the draft report.

If you need any additional clarification, you can reach me on my cell phone anytime at (307)321-4587.

Sincerely,

Gwynn G. Bartlett  
Secretary/Treasurer – CCCAC



**APPENDIX C: STATE AGENCY COMMENTS**



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Thomas O. Forslund, Director

Governor Matthew H. Mead

May 31, 2013

Ref: WB-2013-187

Mr. Patrick J. Cogley  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region VII  
601 East 12<sup>th</sup> Street, Room 0429  
Kansas City, MO 64106

Re: Response to Draft Report Number: A-07-11-02766

Dear Mr. Cogley:

This letter and attachment are in response to the Office of Inspector General (OIG) Draft Report Number: A-07-11-02766, dated April 1, 2013, entitled "Not All Community Services Block Grant Costs Claimed on Behalf of the Carbon County Community Action Committee for the Period October 1, 2008 Through September 30, 2010 Were Allowable." The Wyoming Department of Health (WDH), Public Health Division, Community Services Program (CSP) appreciates the opportunity to respond and aims to resolve any issues quickly.

Any additional clarification regarding this response can be directed to Tricia Dean, Manager of the Community Services Program, at (307) 777-8940 or by email at [tricia.dean@wyo.gov](mailto:tricia.dean@wyo.gov).

Sincerely,

Wendy E. Braund, MD, MPH, MEd, FACPM  
State Health Officer and Senior Administrator  
Public Health Division  
Wyoming Department of Health

Attachment: Wyoming Department of Health Response to the Office of Inspector General Draft Report A-07-11-02766

WB/TD/td

c: Gwynn Bartlett, Carbon County Community Action Committee  
Deanna Greene, HIPAA Compliance Officer  
Robert Peck, Chief Financial Officer, Wyoming Department of Health

State Health Officer • Public Health Division  
6101 Yellowstone Road, Suite 420 • Cheyenne WY 82002  
E-Mail: [wdh@wyo.gov](mailto:wdh@wyo.gov) • WEB Page: [www.health.wyo.gov](http://www.health.wyo.gov)  
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Wyoming Department of Health Response to the Office of Inspector General Draft Report  
A-07-11-02766

Community Services Program (CSP) is responsible for administering the funding from the United States Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Community Services (OCS) for the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (COATES Act), Public Law 105-285, reauthorized as the Community Services Block Grant (CSBG) to alleviate the causes and conditions of poverty within our communities. In Wyoming, funding flows to all 23 counties and the Wind River Reservation through 9 Local Governments, 5 private Community Action Agencies (CAAs), 3 private Non-CAAs, and 1 Tribal Organization. Each of the eligible entities are required to operate under a tripartite board and provide services and activities addressing education, emergency services, employment, health, housing, income management, linkages, nutrition, and self-sufficiency. Services are provided through approximately 150-175 service providers. CSP also administered the American Recovery and Reinvestment Act of 2009, Public Law 111-5 (ARRA) which provided additional funding for CSBG related services.

**GENERAL COMMENTS AND INACCURACIES**

The CSBG grant period for formula funding is October 1 – September 30 each year and the CSBG Set-Aside Contracts are awarded for the period of May 1 – September 30. Separate applications, contracts, monthly financial and programmatic reports, and payment vouchers are required. CSBG Set-Aside funding, contracts, or projects are not addressed in the draft report which could provide answers to some items in question.

ARRA funds were allocated for the period of October 1, 2009 through September 30, 2010 rather than beginning July 1, 2009. The ARRA Contracts were effective starting October 1, 2009, therefore no ARRA funds were expended prior to this time and no ARRA activities or supportive services were provided before the effective date.

CSP did allow tripartite boards to increase eligibility for CSBG services to up to 200% of the Federal poverty level, for both FFY 2010 CSBG and ARRA. The determination to raise the eligibility level beyond the normal CSBG requirement, of up to 125% of the Federal poverty level, was at the discretion of each local tripartite board.

Carbon County Community Action Committee (CCCAC) is a local government eligible entity but is described as a non-profit CAA in the draft report. CCCAC is a CSBG Tripartite Governing Board operating under Carbon County, the local government. This eligible entity designation is allowable as described in Section 676(B)(b) of the CSBG Act. Throughout the draft report, CCCAC is also incorrectly identified as Carbon County Community Action Partnership.

The report states CCCAC received a total amount of \$302,390 in CSBG and ARRA funding during the review period; this amount is incorrect. CSP awarded CCCAC, through contractual agreements, CSBG allocations in the amount of \$80,572 in formula funding and \$16,100 in Set-Aside totaling \$96,672 during FFY 2009; \$84,774 in formula funding and \$17,500 in Set-Aside totaling \$102,274 in FFY 2010; and \$139,521 in ARRA funds during FFY 2010. CCCAC did return \$2,476 of the

ARRA funds making the total CSBG and ARRA allocation, during the period of October 1, 2008 through September 30, 2010, \$335,991.

In the Federal Requirements Section of the draft report, it is again suggested that CCCAC is a non-profit organization, rather than a local government entity. According to Federal Regulation 45 CFR 74.27, the cost principles of allowable and unallowable expenditures for Local Governments are determined in accordance with 2 CFR Part 225 (OMB Circular A-87) instead of 2 CFR Part 230 (OMB Circular A-122) as stated. CSP realizes that the non-profit service providers are still required to abide by 2 CFR Part 230.

In the Methodology Section, it is stated that the CSBG State Management Plans (State Plan) for FFY 2008, 2009, and 2010 were reviewed. The FFY 2008 CSBG State Plan was for the period of October 1, 2007 through September 30, 2008 which is not applicable to the time frame being reviewed. The ARRA State Plan was also reviewed. It is important to note that the time frame indicated on the ARRA State Plan was for the grant term of July 1, 2009 through September 30, 2010.

#### STATEMENTS ADDRESSING FINDINGS

CSP understands the claim against CCCAC regarding unallowable costs associated with \$64,711 in CSBG and \$100,310 in ARRA funds totaling \$165,021 and will specifically address each concern. In addition, CSP realizes that costs totaling \$83,320 have yet to be tested. Due to the variance in grant award amounts, this amount may be increased to include the additional \$33,601 not originally considered as CSBG funding, making the total \$116,921. It is also important to note that CSP does not have the original client application files or reimbursement billing documentation from Carbon County and can only make considerations according to the information provided.

#### FINDING 1: UNALLOWABLE COSTS

##### Inadequately Supported Eligibility Determinations

**As stated on Page 5, CCCAC claimed \$163,192 (\$64,306 in CSBG and \$98,886 in ARRA) that was unallowable because the CCCAC service providers distributed these funds to clients without adequately supporting the eligibility determinations. Specifically, service providers did not always collect and maintain documentation to support clients' application information regarding identification, wages, residency, or family members residing with the applicant. CSP does not agree with this finding.**

According to the draft report, Boys & Girls Club; Community Resource Center; and Public Health – Emergency Health; have been identified as not providing documentation to support their billings with the names of recipients of services; thus, these subcontractors could not demonstrate how they enforced the required 125% poverty level threshold. All tripartite boards received notification of the change to the allowable poverty threshold for this period of time which was increased to 200% after the FFY 10 State Plan was published. CSP does not agree with this finding for the following reasons:

1. The Boys & Girls Club received CSBG funding for a position to provide direct services to youth for computer literacy and internet safety classes. An average of 100 youth attended the club each day with a high percent of those children being part of low-income families. Membership applications containing family income, whether or not they reside in low-income housing, eligibility status of free or reduced school lunches, and time logs recording their attendance are available on-site. However, individual youth names would not be included on a bill to CCCAC for reimbursement of the funded position.
2. The Community Resource Center received CSBG funding to provide tobacco, substance abuse, and violence education programs to low-income youth. These educational programs were presented to children at generally low-income schools receiving Title I assistance. A school is eligible to become a Title I Schoolwide Program when the poverty level, (determined by free and reduced meal counts, Aid for Dependent Children [AFDC], census, or Medicaid) is at or above 40%. Title I funds aim to bridge the gap between low-income students and other students. The U.S. Department of Education provides supplemental funding to local school districts to meet the needs of at-risk and low-income students. A list of children's names would not be necessary as all children were given the opportunity to attend the presentations rather than segregating them according to their family's income status.
3. Public Health – Emergency Health received CSBG funding to provide emergency medical, dental, eye care, and pharmaceutical assistance to low-income people. Clients were required to complete an application with a financial affidavit and Public Health staff verified and maintained this information in locked files on-site. When submitting bills to the Tripartite Board, names must be abstracted since the payments are made through the local government and become public property. This is to ensure Health Insurance Portability and Accountability Act (HIPAA) regulations are not violated.

The draft report also states that Public Health – Parenting and Western Wyoming Family Planning supported their billings with names of recipients but did not provide documentation of recipient income and thus could not demonstrate how they enforced the 125% poverty level threshold. As stated earlier, the allowable poverty threshold for this time period is 200%. CSP also did not agree with this finding for the following reasons:

1. Public Health - Parenting received CSBG funding to provide parenting skills classes to low-income parents. Even though the majority of the parents enrolled are court ordered, an application with financial information is required and maintained on-site. Verification in the client files proves that the 200% poverty level threshold was enforced.
2. Western Wyoming Family Planning received CSBG funding to provide pap smears to low-income, uninsured women. Income verification is conducted during the application process and maintained in locked files on-site. Verification of abiding by the 200% poverty level threshold can be found in the individual client files.

Another item addressed by the report states that CCCAC awarded funds to daycare providers to assist with childcare. In the billings submitted for reimbursement, names of recipients were not attached and therefore could not demonstrate how they enforced the 125% poverty level threshold.

Again, the allowable poverty threshold for this period of time was 200%. CSP does not agree with this finding. Each daycare center is capable of producing the requested information to include the names of the children receiving assistance as well as family financial detail on-site.

According to the draft report, a judgmental sampling of 30 Public Health – Emergency Health vouchers (totaling \$5,586) were chosen for review from the 530 submitted to determine whether recipients' applications were adequately supported by documentation. Through this process, it was discovered that 25 of the 30 program vouchers (totaling \$4,734) submitted were not supported by either recipients' names or income. This equated to a payment error rate of 85% (\$4,734/\$5,586). Detailed testing of the remaining 500 vouchers (totaling \$83,320) was not tested and is considered later in the report as potentially unallowable costs. CSP does not agree with this finding as names cannot be attached to the billing for reimbursement due to HIPAA.

Big Brothers Big Sisters, Boys and Girls Club, Community Resource Center, and Public Health have each been identified in this draft report with not supporting their ARRA billings for reimbursement with names of recipients of services and therefore could not demonstrate how they enforced the 200% poverty level threshold established by statute. CSP does not agree with this finding for the following reasons:

1. Big Brothers Big Sisters received ARRA funding for 2 part-time positions to provide direct services for the youth mentoring program in Rawlins and an after-school program in Saratoga. Even though a high percentage of youth who attend the center come from low-income families, the individuals in these positions must tend to all children equally. Individual youth names would not be included on a bill to CCCAC for reimbursement of the funded positions.
2. Boys and Girls Club received ARRA funding for a position to provide direct services for a youth development program. As with Big Brothers Big Sisters, this individual cannot limit their time to only children of low-income families. Listing individual youth names on a bill to CCCAC for reimbursement of the position would not be appropriate.
3. Community Resource Center received ARRA funding to provide a Resources Directory. This is a publication available to the general public but is located within the local social services offices where low-income people go to obtain services. It would be literally impossible to include names of all of the low-income individuals who obtained, used, and/or benefitted from this directory.
4. Public Health – Meals received ARRA funding to provide congregate and home delivered nutritious meals to low-income seniors and disabled individuals. Public Health maintained an application on-site with income detail and abided by the required poverty guidelines. Names were purposely not provided to ensure client privacy.

Public Health – Dental and Western Wyoming Family Planning supported their billings with the names of recipients of services but could not demonstrate how they enforced the 200% poverty level threshold. CSP did not agree with this finding for the following reasons:

1. Public Health - Dental received ARRA funding to provide dental assistance to low-income, uninsured or underinsured, seniors. Income verification is conducted when applying for services and is maintained in locked files on-site. Verification of abiding by the 200% poverty level threshold can be found in the individual client files.
2. Western Wyoming Family Planning received ARRA funding to provide testing and educational material for sexually transmitted diseases and human immunodeficiency virus to low-income individuals. Income verification is conducted during the application process and maintained in locked files on-site. As with Public Health, the individual client charts contain verification that the 200% poverty level threshold was enforced.

The draft report also states that Encampment Preschool did not require adequate documentation to verify residency or the number of family members listed on the recipients' application. Without the client files, CSP cannot agree or disagree to this finding.

#### **Additional Deficiencies at Service Provider Level**

**As stated on Page 7, some of the unallowable costs already discussed had additional deficiencies that would have led to recommended disallowances of those costs. Therefore, the dollar amounts associated with each of the findings listed below are already included in the amounts questioned in the "Inadequately Supported Eligibility Determination" section.**

Unapproved Transfers of Grant Funds – The draft report alleges that CCCAC transferred \$9,063 (\$879 in CSBG and \$8,184 in ARRA funds) between service providers without obtaining prior written approval from CSP. CSP does not agree with this finding. All budget line item changes for a specific service provider, as well as transfers between service providers, were not made without prior authorization from CSP. It is common practice to authorize these changes through email as timing is essential. Once changes are approved, only CSP has the authority to change the budget detail in cmReporter, which was the online reporting system used for CSBG and ARRA expenditures. The final budgets documented in cmReporter provide further documentation that CSP approved these transfers.

Inadequate Documentation of Expenditures – The draft report alleges that CCCAC did not maintain adequate documentation for \$4,643 (\$2,543 in CSBG and \$2,100 in ARRA funds) for expenditures from service providers. It further states that Microsoft Word and Excel invoices were created to support these expenditures but original source documentation, such as service provider invoices, were not maintained. CSP cannot agree or disagree to this finding without being provided specific details regarding the service providers, projects, and dates.

Unallowable Entertainment Costs – The draft report alleges that Boys and Girls Club and Community Resource Center claimed \$4,001 (\$500 in CSBG and \$3,501 in ARRA funds) to provide entertainment. CSP does not agree with this finding. Both service providers used music as an alternative method of teaching children rather than a form of entertainment. It is a highly acceptable, cultural and generational form of maintaining their attention which results in a greater amount of information retained from these educational presentations.

Costs Previously Paid by Other Funding Sources – The draft report alleges that supplanting occurred when Boys and Girls Club used \$2,381 in ARRA funds for its “I’m a Winner” children’s program and Community Resource Center used \$98 in CSBG funds for T-shirts and a membership. In both cases, these projects were funded by another source in prior years and those funding sources were still available at the time of these events. CSP can not agree or disagree to this finding without additional documentation. CCCAC states that these funds were used to increase the levels and types of services and activities which would be supplementing rather than supplanting. Specifically, the new services included the provision of food baskets for a local agency and staple items for the local Women, Infant, and Children’s (WIC) program.

Inconsistent Allocations to Community Services Block Grant Recovery Act Funding – The draft report alleges that Big Brothers Big Sisters claimed fringe benefit costs in the amount of \$727 to ARRA when the salaries and wages attached with these benefits were not paid with ARRA funding. In accordance with the CCCAC response, CSP agrees with this finding and will provide grant management training to the board to rectify any misunderstandings.

Inadequate Policies and Procedures – The draft report alleges that the procedural deficiencies occurred as a result of inadequate policies and procedures for CCCAC. In accordance with the CCCAC response, CSP will assist CCCAC in revising, establishing, and strengthening policies and procedures to ensure compliance.

## **FINDING 2: OTHER UNALLOWABLE PAYMENTS**

**As stated on Page 9, CCCAC claimed an additional \$1,829 (\$405 in CSBG and \$1,424 in ARRA) that was unallowable due to a variety of errors, including duplication of claims, lack of documentation, and services that were claimed even though they had previously been funded under another funding source.**

Public Health – Emergency Health – The draft report states that Public Health – Emergency Health overcharged the CSBG award by \$405; \$260 because it made duplicate claims for 3 vouchers, and \$145 because it did not document all of the expenditures it charged to the award. Further, the amount of costs reflected in the subcontractor’s vouchers did not reconcile to the amounts reported to CSP. Without further documentation and specific details regarding this finding, CSP cannot agree or disagree.

Public Health – Meals – The draft report states that Public Health – Meals did not have adequate documentation to support claims made by two restaurants totaling \$1,295 in ARRA funding. The vendor invoices submitted for payment of meals provided did not match the vendor tracking system for meals provided. Again, without further documentation and specific details, CSP cannot agree or disagree with this finding.

Public Health – Dental – The draft report states that Public Health – Dental charged ARRA \$129 for dental services that had previously been paid by Medicaid. In accordance with CCCAC, CSP agrees with this finding. This was not intentional, as Public Health did not know that the client had Medicaid at the time of service. As soon as this issue was discovered, CCCAC reimbursed CSP for \$129.

### **FINDING 3: POTENTIALLY UNALLOWABLE COSTS**

**As discussed earlier in this response and according to the draft report, \$83,320 of Public Health – Emergency Health claims were reported as potentially unallowable costs. Due to the judgmental sampling of 30 vouchers, in which an 85% payment error rate was calculated, it is suggested that the additional 500 claims totaling \$83,320 are potentially unallowable costs. CSP maintains its position and does not agree to this finding.**

Public Health has a stringent application process which requires an applicant to complete an application, provide a photo identification which is copied and maintained in the file, sign a HIPAA release form, and complete a financial affidavit including income verification. Applicants also provide proof of residency, and they are required to visit the Department of Family Services where their income eligibility is determined through the poverty guidelines. Once all forms have been completed, if the applicant is eligible, they are qualified to become a client through Public Health and receive necessary services. Client names are purposely not attached to invoices for reimbursement to protect the client's privacy.

### **FINDING 4: INADEQUATE INTERNAL CONTROLS**

#### **Inadequate Monitoring**

As stated on Page 11 of the draft report, CCCAC did not perform on-site monitoring for their CSBG and ARRA service providers to evaluate fiscal and performance activities and to determine program compliance with all applicable laws, rules, regulations, and policies. In accordance with CCCAC, CSP agrees to this finding. CCCAC has hired a contractor to provide on-site monitoring for each of the service providers.

#### **No Separate Accounting of Recovery Act Funds**

Page 12 of the draft report states that CCCAC did not track and report separately on expenditures of funds made available by ARRA. In accordance with CCCAC, CSP does not agree to this finding. CCCAC maintains that even though the County Treasurer erroneously noted an incorrect account number in the County's financial system when receipting the funds, there was never any misuse of funding. Further, separate monthly reports were entered into cmReporter for CSBG, CSBG Set-Aside, and ARRA during this time period.

#### **Inadequate Board Member Participation**

Page 12 of the draft report states that CCCAC did not adequately represent all groups in the community as five board members (2 members representing the low-income category, 2 representing the community category, and 1 representing the elected category) had not attended 3 or more consecutive board meetings during the July 2009 through August 2010 timeframe. In accordance with CCCAC, CSP does not agree to this finding. CCCAC made numerous attempts to contact the absent board members even though it is not addressed in the board's minutes as an action item. In addition, CCCAC has implemented changes to this process and is actively seeking new members.

### **Uninsured Bank Deposits**

Lastly, Page 12 of the draft report states that on more than one occasion, the CCCAC's CSBG and ARRA accounts exceeded the Federal Deposit Insurance Corporation (FDIC) daily limit of \$250,000. As a result, funds that exceeded the FDIC limits were subject to an increased risk of loss in the event of a bank failure. CSP does not agree to this finding. CCCAC indicates that their bank accounts are insured and amounts in excess are collateralized by the bank. CSBG formula and Set-Aside funding totaled \$84,774 in FFY 09, \$102,274 in FFY 10, and \$139,521 in ARRA funding. Payments are distributed quarterly but even if the entire allocations for FFY 10 and ARRA, which ran concurrently, were made in one lump sum the total amount was \$241,795 so it seems unlikely that the accounts would ever be over the \$250,000 limit.

### **RECOMMENDATIONS**

The draft report suggests that CSP make a financial adjustment of \$165,021 to HHS, OCS, ACF for unallowable costs claimed by CCCAC during the FFY 10 CSBG and ARRA terms. CSP does not concur with this recommendation as not all findings in this report appear legitimate. Further, CSP respectfully requests that in the event it is determined that any adjustment be made, that it be deducted from future CSBG allocations to CCCAC. Carbon County is considered rural and serves a low-income population of approximately 12% with CSBG funding through a limited number of service providers. Many of these service providers would be non-existent without CSBG funding and a repayment requirement may force them to cease services permanently, ultimately hurting the same people who are presently benefitting from CSBG activities.

The draft report also suggests that CSP work with HHS, ACF, OCS to determine whether the eligibility determinations associated with the \$83,320 were correctly made and make a financial adjustment for any costs determined to be unallowable. While any assistance from HHS, ACF, OCS is always welcomed, CSP does not concur with this recommendation and further believes the eligibility determinations to be sufficient and does not anticipate an adjustment will be required. However, as stated above, CSP asks that you take into consideration our request regarding any necessary repayment.

Lastly, the draft report suggests that CSP ensure that CCCAC either establish or strengthen policies, procedures, and related internal controls regarding eligibility determination, documentation, funds management, and oversight and monitoring of CSBG. CSP concurs with this recommendation and vows to provide training and technical assistance to accomplish these requirements. While CCCAC has already implemented some changes such as hiring a consultant to perform service provider monitoring and actively attempting to recruit new board members, CSP agrees to provide training and technical assistance for the remaining suggestions. Specifically, CSP will provide CCCAC grant management training; assist in revising their policies and procedures; develop and implement a generalized client application with a required documentation list to aid in the intake process, assist in developing and implementing a service provider reimbursement process that satisfies all applicable laws, regulations, policies, and rules; provide any requested training and technical assistance related to CSBG in a reasonable amount of time; and conduct a special review of CCCAC during FFY 2014 to ensure compliance of CSBG and the newly implemented processes.