



January 11, 2011

Report Number: A-09-10-01009

Mr. Gary Gobelman
Community Services Grant Program Manager
Nevada Department of Health and Human Services
4126 Technology Way, Suite 100
Carson City, NV 89706

Dear Mr. Gobelman:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Nevada's Monitoring of the Community Services Block Grant Program*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

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

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, the final report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (415) 437-8360, or contact James Kenny, Audit Manager, at (415) 437-8370 or through email at James.Kenny@oig.hhs.gov. Please refer to report number A-09-10-01009 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Oscar Tanner
Director
Division of Financial Integrity
Sixth Floor East Wing, Aerospace Building
370 L'Enfant Promenade, SW
Washington, DC 20447

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

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



Daniel R. Levinson
Inspector General

January 2011
A-09-10-01009

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

EXECUTIVE SUMMARY

BACKGROUND

The Community Services Block Grant (CSBG) program was reauthorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P. L. No. 105-285 (the CSBG Act), to provide funds to alleviate the causes and conditions of poverty in communities. The CSBG program funds a State-administered network of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$680 million in fiscal years (FY) 2009 and 2010 through the CSBG program. The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (the Recovery Act), provided \$1 billion in additional CSBG funds for FYs 2009 and 2010.

In Nevada, the Department of Health and Human Services (the State agency) administers the CSBG program. The State agency received approximately \$3.7 million in regular CSBG funds each year for FYs 2009 and 2010. The Recovery Act provided the State agency \$5 million in additional CSBG funds for FYs 2009 and 2010. Of the total CSBG funding of \$12.4 million, \$11.6 million passed through to the State's organizations eligible to receive CSBG funds (eligible entities). These entities were all Community Action Agencies (CAA).

Section 678B of the CSBG Act requires the State agency to monitor eligible entities by conducting a full onsite review of each eligible entity at least once during each 3-year period. The State agency conducts these reviews to determine whether eligible entities meet the performance goals, administrative standards, financial management requirements, and other requirements of the State.

Federal regulations (45 CFR § 96.30(a)) 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 authorizing the block grant." Pursuant to section 1512 of the Recovery Act, each agency that provides recovery funds to a recipient is required to make the information in recipient reports, such as the total amount of funds received, publicly available on the Internet.

OBJECTIVE

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

SUMMARY OF FINDINGS

The State agency did not establish adequate internal controls for assessing and monitoring CSBG funds provided to CAAs under the Recovery Act. Specifically, the State agency did not:

- conduct a full onsite review of each CAA within a 3-year period or
- sufficiently track CSBG funds provided to CAAs under the Recovery Act.

These deficiencies occurred because the State agency did not consistently follow its existing written policies and procedures for conducting onsite reviews and did not have adequate policies and procedures for tracking CSBG funds provided under the Recovery Act. In addition, the State agency informed us that it did not have adequate resources to conduct timely reviews.

Without adequate internal controls, Recovery Act and CSBG program funds may be at risk for fraud, waste, and abuse at eligible entities and Recovery Act information posted on the Internet may be inaccurate.

RECOMMENDATIONS

We recommend that the State agency:

- conduct full onsite reviews of its CAAs in a timely manner and
- strengthen its policies and procedures to ensure sufficient tracking of CSBG funds provided to CAAs under the Recovery Act.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our finding regarding full onsite reviews of its CAAs. However, the State agency commented that there was not a lapse in general oversight of its CAAs because the CSBG program manager was in continuous contact with each CAA.

The State agency did not concur with our finding regarding tracking of CSBG funds provided to CAAs under the Recovery Act. The State agency indicated that the fiscal unit, not the grants management unit, was responsible for tracking and reporting on Recovery Act expenditures.

The State agency did not address our recommendations. The State agency's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We agree with the State agency that the grants management unit was not responsible for tracking and reporting on Recovery Act expenditures and revised the report accordingly. However, at the time of our review, the records from the fiscal and grants management units contained various types of errors. Therefore, the records should be reconciled to ensure that Recovery Act information posted on the Internet is accurate.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Federal Community Services Block Grant Program	1
Office of Community Services	1
Community Services Block Grant Program in Nevada	1
Office of Inspector General Audits.....	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective.....	2
Scope	2
Methodology.....	2
FINDINGS AND RECOMMENDATIONS	3
FULL ONSITE REVIEWS	3
Federal Requirements	3
State Agency’s Compliance With Federal Requirements.....	3
TRACKING RECOVERY ACT FUNDS	4
Federal Requirements	4
State Agency’s Compliance With Federal Requirements.....	4
RECOMMENDATIONS	5
STATE AGENCY COMMENTS	5
OFFICE OF INSPECTOR GENERAL RESPONSE	5
APPENDIX	
DEPARTMENT OF HEALTH AND HUMAN SERVICES COMMENTS	

INTRODUCTION

BACKGROUND

Federal Community Services Block Grant Program

The Community Services Block Grant (CSBG) program was reauthorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P. L. No. 105-285 (the CSBG Act), to provide funds to alleviate the causes and conditions of poverty in communities. The CSBG program funds a State-administered network of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$680 million in fiscal years (FY) 2009 and 2010 through the CSBG program.

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

Office of Community Services

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

Community Services Block Grant Program in Nevada

In Nevada, the Department of Health and Human Services (the State agency) administers the CSBG program. The State agency received approximately \$3.7 million in regular CSBG funds each year for FYs 2009 and 2010. The Recovery Act provided the State agency \$5 million in additional CSBG funds for FYs 2009 and 2010. Of the total CSBG funding of \$12.4 million, \$11.6 million passed through to the State's organizations eligible to receive CSBG funds (eligible entities). The State agency retained approximately \$800,000 to monitor these eligible entities to ensure compliance with applicable Federal requirements and achievement of performance goals, as required by 45 CFR § 92.40(a).

At the time of our audit, Nevada had 12 eligible entities, all of which were Community Action Agencies (CAA). The CAAs provided direct services to residents throughout Nevada. Examples of services included those related to employment and benefits coordination, emergency services, food assistance, housing assistance, and case management. In addition, the CAAs partnered with other local and State organizations to identify priorities, develop collaborative strategies, and deliver services.

Office of Inspector General Audits

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

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

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

We performed our fieldwork in May 2010 at the State agency’s office in Carson City, Nevada.

Methodology

To accomplish our objective, we:

- reviewed Federal laws, regulations, and policies related to Federal grant awards and the CSBG program;
- interviewed the State agency’s officials and employees;
- reviewed the State agency’s application and plan for Recovery Act funds;
- reviewed the State agency’s records on its full onsite reviews of all eligible entities;
- reviewed the State agency’s records for CSBG funds provided to CAAs under the Recovery Act;
- reviewed the CAAs’ annual audit reports for FYs ended 2007 through 2009 when available;
- reviewed risk assessments from October 2009 for all 12 CAAs; and

¹ Office of Inspector General, “Alert: Community Service Block Grant Recovery Act Funding for Vulnerable and In-Crisis Community Action Agencies” (A-01-09-02511). Available at: <http://oig.hhs.gov/oas/reports/region1/10902511.pdf>. Accessed September 23, 2010.

- discussed our preliminary findings with the State agency.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

The State agency did not establish adequate internal controls for assessing and monitoring CSBG funds provided to CAAs under the Recovery Act. Specifically, the State agency did not:

- conduct a full onsite review of each CAA within a 3-year period or
- sufficiently track CSBG funds provided to CAAs under the Recovery Act.

These deficiencies occurred because the State agency did not consistently follow its existing written policies and procedures for conducting onsite reviews and did not have adequate policies and procedures for tracking CSBG funds provided under the Recovery Act. In addition, the State agency informed us that it did not have adequate resources to conduct timely reviews.

Without adequate internal controls, Recovery Act and CSBG program funds may be at risk for fraud, waste, and abuse at eligible entities and Recovery Act information posted on the Internet may be inaccurate.

FULL ONSITE REVIEWS

Federal Requirements

Section 678B of the CSBG Act requires the State agency to monitor eligible entities by conducting a full onsite review of each eligible entity at least once during each 3-year period, including an onsite review of each newly designated entity immediately after the completion of the first year in which the entity receives funds through the CSBG program. The State agency conducts these reviews to determine whether eligible entities meet the performance goals, administrative standards, financial management requirements, and other requirements of the State.

State Agency's Compliance With Federal Requirements

The State agency did not conduct full onsite reviews at all 12 of its CAAs within the 3-year period as required:

- The State agency did not conduct onsite fiscal monitoring reviews at any of its 12 CAAs within the most recent 3-year period. During our fieldwork, the State agency was in the process of having public accounting firms perform these reviews.

- The State agency did not conduct onsite program monitoring reviews at 3 of its 12 CAAs within the most recent 3-year period. During our fieldwork, the State agency conducted these reviews at two of the three CAAs. However, the State agency was 1 year late in conducting one of the reviews and 2 months late in conducting the other review. For the remaining CAA, the State agency planned to conduct a program monitoring review in June 2010, approximately 2 years after the end of the 3-year period.
- The State agency did not conduct onsite program monitoring reviews at three newly designated CAAs immediately after completion of the first year in which the CAAs received CSBG funds. The State agency was 5, 9, and 11 months late, respectively, in conducting these reviews.

These deficiencies occurred because the State agency did not consistently follow its existing written policies and procedures for conducting onsite reviews. In addition, the State agency informed us that it did not have enough resources to conduct timely reviews. During our fieldwork, the State agency had one full-time employee who was responsible for CSBG program activities, including program monitoring reviews.

Without adequate fiscal and program monitoring reviews, Recovery Act and CSBG program funds may be at risk for fraud, waste, and abuse at eligible entities.

TRACKING RECOVERY ACT FUNDS

Federal Requirements

Federal regulations (45 CFR § 96.30(a)) 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 authorizing the block grant.”

Pursuant to section 1512 of the Recovery Act, each agency that provides recovery funds to a recipient is required to make the information in recipient reports, such as the total amount of funds received, publicly available on the Internet.

State Agency’s Compliance With Federal Requirements

The State agency did not sufficiently track CSBG funds provided to CAAs under the Recovery Act. Specifically, the State agency’s grants management unit did not reconcile its records to those maintained by the State agency’s fiscal unit. The grants management unit’s records showed that approximately \$2.5 million had been provided to the 12 CAAs. However, the fiscal unit’s records showed a total of approximately \$2.7 million. The difference was due to adjustments, data entry errors, and the use of different accounting methods for advances of Recovery Act funds. For example, the grants management unit recorded an advance using the accrual method. However, the fiscal unit recorded the advance using the cash method.

This deficiency occurred because the State agency did not have adequate policies and procedures for tracking CSBG funds provided under the Recovery Act. Without adequate policies and procedures, Recovery Act information posted on the Internet may be inaccurate.

RECOMMENDATIONS

We recommend that the State agency:

- conduct full onsite reviews of its CAAs in a timely manner and
- strengthen its policies and procedures to ensure sufficient tracking of CSBG funds provided to CAAs under the Recovery Act.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our finding regarding full onsite reviews of its CAAs. However, the State agency commented that there was not a lapse in general oversight of its CAAs because the CSBG program manager was in continuous contact with each CAA.

The State agency did not concur with our finding regarding tracking of CSBG funds provided to CAAs under the Recovery Act. The State agency indicated that the fiscal unit, not the grants management unit, was responsible for tracking and reporting on Recovery Act expenditures. The State agency commented that the fiscal unit's spreadsheets were the official State records used for reporting and that the grants management unit's spreadsheet was a working document used by the CSBG program manager to track the progress made by CAAs in expending Recovery Act funds.

The State agency did not address our recommendations. The State agency's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We agree with the State agency that the grants management unit was not responsible for tracking and reporting on Recovery Act expenditures and revised the report accordingly. However, at the time of our review, the records from the fiscal and grants management units contained various types of errors. Therefore, the records should be reconciled to ensure that Recovery Act information posted on the Internet is accurate.

APPENDIX

APPENDIX: DEPARTMENT OF HEALTH AND HUMAN SERVICES COMMENTS

JIM GIBBONS
Governor



MICHAEL J. WILLDEN
Director

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIRECTOR'S OFFICE
4126 Technology Way, Suite 100
Carson City, Nevada 89706-2009
Telephone (775) 684-4000 • Fax (775) 684-4010
dhhs.nv.gov

November 4, 2010

Lori A. Ahlstrand, Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

Re: Report Number: A-09-10-01009

Dear Ms. Ahlstrand:

This letter is in response to the draft report from the U.S. Department of Health and Human Services, Office of Inspector General (OIG) entitled *Review of Nevada's Monitoring of the Community Services Block Grant*. The Nevada Department of Health and Human Services' (DHHS) comments regarding the two findings are summarized below.

1. The State Agency did not conduct a full onsite review of each CAA within a three-year period.
 - a) The State agency did not conduct onsite fiscal monitoring reviews at any of its 12 CAAs within the most recent three-year period.

In an effort to ensure transparency and accountability in the use of federal funds, the DHHS Community Services Block Grant (CSBG) Program Manager is in continuous contact with each of Nevada's Community Action Agencies (CAAs) by phone, email, and/or in person. This is a routine part of the DHHS management process. It allows DHHS to regularly provide its CAAs with program information and training. Moreover, it enables DHHS to quickly diagnose CAA problems and provide timely technical assistance.

A critical component to this ongoing oversight is a review of monthly expenditure reports in order to track program outcomes, monitor CSBG spending and, more recently, monitor the expenditure of ARRA dollars. Additionally, Nevada's CAAs submit quarterly progress reports, which are used to track agency performance. DHHS also partners with the Nevada Community Action Association to arrange for technical assistance to individual agencies when there are areas of concern or a need for improved performance or procedures.

Lori A. Ahlstrand
November 4, 2010
Page 2

Considering the above, while DHHS concurs that there was a gap in the completion of the fiscal component of formal onsite reviews, there was not a lapse in general oversight of Nevada's CAAs.

The DHHS auditor was onsite at 11 of the State's 14 CAAs during State Fiscal Years (SFY) 2006, 2007, and 2008. (The number of CAAs in the State was reduced from 14 to 12 in SFY 2009 as a result of the merger of three CAAs into one new CAA.) Ten onsite fiscal monitorings were planned for SFY 2009. However, the onsite monitoring process was suspended and DHHS efforts were focused on refining and improving fiscal management procedures. During SFY 2009 and the first half of SFY 2010, DHHS adopted a detailed budgeting format for CSBG to ensure that funds are budgeted in accordance with State and federal fiscal requirements. A new request for funds process that requires submission of a detailed list of transactions with the payment request was put in place along with enhanced and standardized fiscal instructions. To accompany these improved procedures, DHHS launched a new onsite fiscal monitoring process that is performed by Certified Public Accountants (CPA) working under contract with DHHS. DHHS has completed 8 fiscal monitorings using this new process and plans to have the remaining 4 completed this fiscal year.

The new request for funds process implemented in SFY 2009, which requires payment detail for every expenditure, serves as an additional layer to the CSBG Program Staff's oversight and monitoring process. It makes certain that CAA grantee expenditures are consistent with the approved budget and are allowable. Based on the 8 onsite monitorings completed by the CPA firms, there have been only a few questioned costs, which indicates that the new internal control procedures are successful at helping ensure that funds are being spent properly.

- b) The State agency did not conduct onsite program monitorings at three of its 12 CAAs within the most recent three-year period.

As indicated under item 1a above, the CSBG Program Manager is in continuous contact with each of Nevada's CAAs. This is a routine part of the DHHS management process and provides an opportunity for DHHS to regularly track program outcomes. While DHHS concurs that the programmatic component of three formal onsite reviews did not take place within the required three year period, there was not a lapse in general oversight of Nevada's CAAs. One of the three onsite monitorings referenced in the finding has been completed; the other two are scheduled to be completed by December 31, 2010.

The DHHS monitoring calendar initially included the three onsite monitoring reviews. In April 2009, DHHS was awarded American Recovery and Reinvestment Act (ARRA) funding which increased the State's CSBG funding by 235%, from \$3.7 million to \$8.7 million, without any increase in administrative funding. As a result, the allowable administrative expenses went from 5% of the CSBG award prior to ARRA to 2% of the available CSBG and ARRA funds awarded for the April 2009 through September 2010 time period.

Lori A. Ahlstrand
November 4, 2010
Page 3

The lack of additional administrative funds to support the additional management activities required by ARRA forced DHHS to make difficult choices to safeguard this significant increase in funding. DHHS considered risk and resources and developed a management approach that protected federal funds and supported quality service delivery. A decision was made to delay the onsite review of the three agencies that were due for onsite monitoring. These CAAs were not considered high risk and represented only 4% of the total CSBG and ARRA funds awarded. DHHS continued to provide the ongoing oversight activities noted above to these three agencies.

Taking into account that ARRA provided no State administrative funds to support the 235% increase in CSBG funding, DHHS feels it did as much as it was able to do with the available resources to accomplish the additional activities required by ARRA and ensure that funds were spent with transparency and accountability. Some of the major additional activities resulting from ARRA were the preparation and submission to the U.S. Department of Health and Human Services of an ARRA State Plan, a new funding formula and a revision of the CAA application process to accommodate the goals and purpose of ARRA. Additionally, implementation of new federal reporting requirements and transparency expectations required significant planning and system development. In an effort to meet the goals of ARRA to create and retain jobs, DHHS worked in collaboration with 10 of the 12 CAAs to develop new employment programs. DHHS also put in place fiscal tracking procedures and program oversight procedures to ensure that ARRA funds were spent in accordance with the goals and requirements of ARRA.

Finally, the results achieved with the ARRA funds, which were not part of the objectives of the review conducted by OIG, were substantial. With assistance from DHHS, 10 CAAs were able to launch employment services targeted to low-income individuals who were hit the hardest by the recession. From July 1, 2009 to September 30, 2010, the CAAs in the State assisted 2,830 individuals to remove one or more employment barriers, 1,279 individuals obtained employment, and 4,284 individuals received emergency rent, utility, food, and medical services in an effort to stabilize families in crisis. ARRA funds also provided the impetus for CAAs to form new partnerships with employers, other employment service providers, and community colleges to coordinate a community response to assisting individuals in their efforts to return to the workforce. It is anticipated that these efforts will lead to long term improvements in coordination of services to low-income individuals and families.

- c) The State did not conduct onsite monitoring reviews at three newly designated CAAs immediately after completion of the first year in which the CAAs received CSBG funding.

Lori A. Ahlstrand
November 4, 2010
Page 4

The comments submitted under item "b" above also pertain to this finding. While DHHS concurs that formal onsite monitoring did not take place immediately after the first year of operation by three newly designated CAAs, there was not a lapse in general oversight and performance review of these new CAAs.

In conclusion regarding findings 1a, b, and c, DHHS is concerned that the OIG report understates the level of interaction, oversight, and collaboration that occurs between DHHS staff and CAAs, and might create the impression that monitoring activity is limited to onsite monitoring once every three years. Further, not only were adequate controls in place to prevent, fraud, waste and abuse, DHHS actually expanded its controls during the time period covered by the OIG report.

2. The State agency did not sufficiently track CSBG funds to CAAs under the Recovery Act.

DHHS does not concur with this finding.

There appears to be some confusion in the report regarding the roles and responsibilities of the Grants Management Unit (GMU) and Fiscal Units, both of which operate in the Director's Office of the Department of Health and Human Services. The GMU was responsible for tracking program-related information for the ARRA 1512 report. The Fiscal Unit was responsible for tracking and reporting on ARRA expenditures. The report correctly notes that two sets of spreadsheets were utilized. The GMU spreadsheet was a working document used by the CSBG Program Manager to track the progress made by CAAs in expending ARRA dollars. Due to the lag period between submission of payment requests and actual payment, the CSBG Program Manager maintained a spreadsheet in order to maintain the most current information for oversight purposes. The Fiscal Unit spreadsheets were (and continue to be) the official State record and were used for purposes of reporting ARRA expenditures on the 1512 report. The OIG report notes that adjustments were in progress during the May 2010 monitoring visit. These adjustments were completed in July 2010. The Fiscal Unit utilizes the fiscal management controls established by the State of Nevada and these procedures were followed during the time period covered by the review.

As indicated in our comments, it is our intent to achieve and maintain full compliance with CSBG requirements and to continue our efforts to assist families achieve economic self-sufficiency with these funds.

Sincerely,



Gary Gobelman, CSBG Program Manager

CC: Laurie Olson, Chief, Grants Management Unit
Mary Liveratti, Deputy of Program Services
Michael Torvinen, Deputy of Fiscal Services