



December 14, 2010

**TO:** Yolanda J. Butler, Ph.D.  
Acting Director  
Office of Community Services  
Administration for Children and Families

**FROM:** /Lori S. Pilcher/  
Assistant Inspector General for Grants, Internal Activities,  
and Information Technology Audits

**SUBJECT:** Results of Limited Scope Review at Nye County Health & Human Services  
(A-09-10-01012)

The attached final report provides the results of our limited scope review at Nye County Health & Human Services. Pursuant to the American Recovery and Reinvestment Act of 2009 (P.L. No. 111-5), the Office of Inspector General (OIG) provides oversight of covered funds to prevent fraud, waste, and abuse.

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

If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). We look forward to receiving your final management decision within 6 months. Please refer to report number A-09-10-01012 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE  
REVIEW AT NYE COUNTY  
HEALTH & HUMAN SERVICES**



Daniel R. Levinson  
Inspector General

December 2010  
A-09-10-01012

# *Office of Inspector General*

<http://oig.hhs.gov>

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

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

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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.

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

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **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, to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health & 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. These programs address 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 for States to alleviate the causes and conditions of poverty in communities. Recovery Act funds were distributed to CAAs using the existing statutory formula.

The Nevada Department of Health and Human Services (State agency) acts as the lead agency for purposes of carrying out State activities for the CSBG program. The State agency is responsible for approving the State's CAA Recovery Act grant applications and monitoring CAAs' compliance with program regulations. The State agency was awarded \$5 million in Recovery Act funds for Nevada's CSBG program.

Nye County Health & Human Services (county agency), a local government agency, provides services to low-income households throughout Nye County, Nevada. During fiscal year (FY) 2010, the State agency awarded the county agency \$136,985 in CSBG funds and \$186,245 in Recovery Act funds, totaling \$323,230. For FY 2010, the county agency received total Federal grant awards of \$374,230.

### **OBJECTIVE**

Our objective was to assess the county agency's financial viability, capacity to manage and account for Federal funds, and capability to operate its CSBG program in accordance with Federal regulations.

### **SUMMARY OF FINDING**

Based on our assessment, the county agency is financially viable, has the capacity to manage and account for Federal funds, and is capable of operating its CSBG program in accordance with Federal regulations. However, we noted a weakness related to the composition of the board of directors.

## **RECOMMENDATION**

We recommend that ACF consider the information presented in this report in assessing the county agency's ability to operate its CSBG program in accordance with Federal regulations and in determining whether the county agency is appropriately managing and accounting for Recovery Act funds.

## **COUNTY AGENCY COMMENTS**

In written comments on our draft report, the county agency provided information on actions taken to correct the identified weakness in the composition of the board of directors. The county agency's comments are included in their entirety as the Appendix.

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## **INTRODUCTION**

### **BACKGROUND**

#### **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. Within the U.S. Department of Health & 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. These programs address employment, education, housing, nutrition, emergency services, health, and better use of available income.

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#### **Nevada Department of Health and Human Services**

The Nevada Department of Health and Human Services (State agency) acts as the lead agency for purposes of carrying out State activities for the CSBG program. The State agency is responsible for approving the State's CAA Recovery Act grant applications and monitoring CAAs' compliance with program regulations. The State agency was awarded \$5 million in Recovery Act funds for Nevada's CSBG program.

#### **Nye County Health & Human Services**

Nye County Health & Human Services (county agency), a local government agency, provides services to low-income households throughout Nye County, Nevada. During fiscal year (FY) 2010, the State agency awarded the county agency \$136,985 in CSBG funds and \$186,245 in Recovery Act funds, totaling \$323,230. For FY 2010, the county agency received total Federal grant awards of \$374,230.

#### **Requirements for Federal Grantees**

The allowability of costs incurred by State and local governments is determined in accordance with the provisions of 2 CFR part 225, *Cost Principles for State, Local, and Indian Tribal Governments*. These Federal regulations establish principles and standards to provide a uniform approach for determining costs and to promote effective program delivery. The CSBG Act establishes the CSBG program and sets the requirements and guidelines for CSBG funds.

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

### **Objective**

Our objective was to assess the county agency's financial viability, capacity to manage and account for Federal funds, and capability to operate its CSBG program in accordance with Federal regulations.

### **Scope**

We conducted a limited review of the county agency's financial viability, financial management system, and related policies and procedures. Therefore, we did not perform an overall assessment of the county agency's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective. Our review period was FY 2010 (July 1, 2009, through June 30, 2010).

We performed our fieldwork at the county agency's administrative office in Tonopah, Nevada, in July 2010.

### **Methodology**

To accomplish our objective, we:

- confirmed that the county agency is not excluded from receiving Federal funds;
- reviewed relevant Federal laws, regulations, and guidance and State guidance;
- reviewed the county agency's application and implementation of the grant awards for Recovery Act funding;
- reviewed the findings related to the most recent State review of the county agency's compliance with Federal and State CSBG requirements;
- reviewed the county agency's policies and procedures related to the CSBG program;
- reviewed the county agency's bylaws, minutes from the board of directors meetings, composition of the board of directors, and organizational chart;
- performed audit steps to assess the adequacy of the county agency's current financial systems;
- reviewed Nye County's audited financial statements for the periods July 1, 2006, through June 30, 2007; July 1, 2007, through June 30, 2008; and July 1, 2008, through June 30, 2009;
- interviewed the county agency's senior eligibility specialist to gain an understanding of

(1) the implementation of the CSBG programs funded by the Recovery Act and  
(2) Recovery Act reporting;

- traced information in the county agency's Recovery Act reports to supporting documentation; and
- reviewed income information in five judgmentally selected case files.

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 finding and conclusions based on our audit objective.

### **FINDING AND RECOMMENDATION**

Based on our assessment, the county agency is financially viable, has the capacity to manage and account for Federal funds, and is capable of operating its CSBG program in accordance with Federal regulations. However, we noted a weakness related to the composition of the board of directors.

#### **COMPOSITION OF BOARD OF DIRECTORS**

Section 676B(b) of the CSBG Act requires that public organizations administer the CSBG program through a tripartite board that should be composed to ensure that no fewer than one-third of the members are representative of low-income individuals and families in the neighborhood served; reside in the neighborhood served; and are able to participate in the development, planning, implementation, and evaluation of the CSBG program.

The county agency did not comply with the CSBG requirement that one-third of the tripartite board be representative of the low-income area served. The county agency's board of directors serves as the tripartite board, and one of the six positions has been vacant since August 2008. At the time of our audit, only one member was representative of the low-income area served instead of the required two members.

#### **RECOMMENDATION**

We recommend that ACF consider the information presented in this report in assessing the county agency's ability to operate its CSBG program in accordance with Federal regulations and in determining whether the county agency is appropriately managing and accounting for Recovery Act funds.

## **COUNTY AGENCY COMMENTS**

In written comments on our draft report, the county agency provided information on actions taken to correct the identified weakness in the composition of the board of directors. The county agency's comments are included in their entirety as the Appendix.

# **APPENDIX**

**APPENDIX: NYE COUNTY HEALTH & HUMAN SERVICES COMMENTS**



**NYE COUNTY HEALTH AND HUMAN SERVICES  
SHIRLEY TRUMMELL, Director Human Services**

October 27, 2010

Lori A. Ahlstrand  
Regional Inspector General  
For Audit Services  
Office of Inspector General  
Office of Audit Services, Region IX  
90 – 7<sup>th</sup> Street, Suite 3-650  
San Francisco, CA 94103

Re: Report Number A-09-10-01012

Dear Ms. Ahlstrand:

In answer to the recent draft report entitled *Results of Limited Scope Review at Nye County Health & Human Services*, I submit the following comments to be added to this report.

The Finding and Recommendation spoke to a weakness relating to the composition of the CSBG Tripartite Board and the lack of a low-income representative. Although the finding of the audit cannot be disputed, there are extenuating circumstances surrounding the vacancies, and the Board did diligently pursue the filling of the vacancies, as indicated below.

In August 2008 one of our two low-income representatives resigned from the Board. Until recently our Board had only been able to meet once a quarter due to the large geographical area that exists in Nye County (3<sup>rd</sup> largest geographical area in the contiguous 48 states) and due to that fact the next meeting our Board had was in November, 2008 at which time they were presented a draft Notice of Vacancy for approval. The Board desired additional changes and a second draft was presented to them in February, 2009, however, the Board amended the notice again and the finalized draft was presented to them in April, 2009, at which time it was approved. At the same April meeting the second low income representative stated he would be leaving the Board as of June, 2009.

During the following week the Notice of Vacancy was sent out to all Town Boards and Town Advisory Councils within Nye County as well as to some other non-profits in order to

advertise and fill the vacancies. At the August, 2009, meeting the Board reviewed the two applications that had been received and voted to approve both applicants to fill the positions.

One of the two applicants came to the next meeting of the Board which was held on November, 2009; however despite numerous telephonic messages as well as a written letter, the other applicant did not contact Health and Human Services or the Board and never took office.

There were still no applicants as of the February, 2010 meeting. At the April, 2010, meeting the Board asked that the position be readvertised which was done immediately.

At the first August, 2010 meeting an application was presented to the Board; however the Board voted to not accept the applicant for the position. A special meeting was held in August; however there were no additional applications and the position was to be readvertised.

At a meeting held October, 2010, the Board voted in a new member for the low income position.

The Board is now at full capacity with 2 members from each required category. The Board also now has the capabilities of meeting both through teleconferencing and through video conferencing which makes it easier to hold meetings more often if necessary.

If you desire any additional information, please feel free to contact me at (775) 751-7094.

Sincerely,



Shirley S. Trummell

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