



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



February 19, 2013

TO: Jeannie Chaffin
Director, Office of Community Services
Administration for Children and Families

FROM: /Kay L. Daly/
Assistant Inspector General for Audit Services

SUBJECT: Hawaii Claimed Unallowable Community Services Block Grant Costs for Honolulu Community Action Program, Inc.'s Expenditures Under the Recovery Act (A-09-11-01007)

Attached, for your information, is an advance copy of our final report on the Community Services Block Grant costs claimed by the Hawaii Department of Labor and Industrial Relations, Office of Community Services (State agency), for Honolulu Community Action Program, Inc.'s expenditures under the American Recovery and Reinvestment Act of 2009. We will issue this report to the State agency within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me at (202) 619-1157 or through email at Kay.Daly@oig.hhs.gov, or your staff may contact Lori A. Ahlstrand, Regional Inspector General for Audit Services, Region IX, at (415) 437-8360 or through email at Lori.Ahlstrand@oig.hhs.gov. Please refer to report number A-09-11-01007.

cc:
Janice L. Samuel
Director, Division of Financial Integrity
Office of Financial Services
Administration for Children and Families

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**HAWAII CLAIMED UNALLOWABLE
COMMUNITY SERVICES
BLOCK GRANT COSTS FOR
HONOLULU COMMUNITY ACTION
PROGRAM, INC.'S EXPENDITURES
UNDER THE RECOVERY ACT**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Kay L. Daly
Assistant Inspector General**

**February 2013
A-09-11-01007**

Office of Inspector General

<https://oig.hhs.gov>

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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.



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

February 21, 2013

Report Number: A-09-11-01007

Ms. Mila Kaahanui
Executive Director, Office of Community Services
Department of Labor and Industrial Relations
830 Punchbowl Street, Room 420
Honolulu, HI 96813

Dear Ms. Kaahanui:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Hawaii Claimed Unallowable Community Services Block Grant Costs for Honolulu Community Action Program, Inc.'s Expenditures Under the Recovery Act*. 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 response 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, this report will be posted at <https://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Doug Preussler, Audit Manager, at (415) 437-8309 or through email at Doug.Preussler@oig.hhs.gov. Please refer to report number A-09-11-01007 in all correspondence.

Sincerely,

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

Enclosure

Direct Reply to HHS Action Official:

Ms. Janice L. Samuel
Director, Division of Financial Integrity
Office of Financial Services
Administration for Children and Families
U.S. Department of Health and Human Services
370 L'Enfant Promenade, SW
Washington, DC 20447

EXECUTIVE SUMMARY

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, provided \$1 billion to the Community Services Block Grant (CSBG) program for fiscal years (FY) 2009 and 2010. As with annually appropriated CSBG funds, Recovery Act funds were to be used to reduce poverty, revitalize low-income communities, and help low-income Americans. In addition, CSBG services funded by the Recovery Act were to be provided on or before September 30, 2010.

Within the U.S. Department of Health and Human Services, the Administration for Children and Families, Office of Community Services, administers the CSBG program. The CSBG program funds a State-administered network of more than 1,100 local community action agencies (CAA) that deliver programs and services to low-income Americans. The CAAs provide services addressing employment, education, better use of available income, housing, nutrition, and health to combat the causes of poverty.

In Hawaii, the Department of Labor and Industrial Relations, Office of Community Services (State agency), was responsible for approving CAAs' applications for CSBG Recovery Act funds and monitoring CAAs' compliance with Federal requirements. Under the Recovery Act, the State agency was awarded \$5 million in additional CSBG funds for FYs 2009 and 2010.

Honolulu Community Action Program, Inc. (HCAP), is a private, nonprofit CAA that has served Oahu's low-income residents since 1965. For the period October 19, 2009, through September 30, 2010, the State agency awarded HCAP \$3,078,814 in CSBG Recovery Act funds (the award). HCAP expended \$2,390,918 of the award, which included \$513,649 for computer and multimedia equipment, furniture, and supplies for five afterschool programs that HCAP planned to open targeting at-risk elementary and middle school students. The remaining \$687,896 was not expended and was returned to the State agency. HCAP referred to its afterschool programs as the Science, Technology, Engineering, and Math (STEM) programs.

By accepting grant awards, States agree to comply with Federal regulations governing the administration of the grants, including compliance with various cost principles. Federal law requires that States receiving CSBG funds ensure that cost and accounting standards of the Office of Management and Budget apply to a recipient of the funds. Nonprofit CAAs are subject to 45 CFR part 74. These regulations state that the allowability of costs will be determined in accordance with 2 CFR part 230, *Cost Principles for Non-Profit Organizations*. To be allowable under an award, costs must be reasonable for the performance of the award and allocable to the award under these principles.

OBJECTIVE

Our objective was to determine whether the CSBG costs that the State agency claimed for HCAP's program expenditures were allowable in accordance with applicable Federal requirements.

SUMMARY OF FINDINGS

Of the \$2,390,918 of CSBG costs that the State agency claimed for HCAP's program expenditures, \$1,877,269 was allowable in accordance with applicable Federal requirements. The remaining \$513,649 represented unallowable costs for computer and multimedia equipment, furniture, and supplies. These costs were unallowable for the following reasons:

- HCAP's purchase of these items was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs. Specifically, HCAP purchased these items for the STEM programs in August and September 2010, 2 months before the end of the grant period, without having a timeline for when the STEM programs would be in operation or services would be provided to students. Given the grant period, it seemed unlikely that these purchases would be used to benefit the programs.
- The costs that the State agency claimed for these items were not allocable to the award because the items provided no benefit to programs funded under the Recovery Act award. As of July 7, 2011, the last day of our onsite fieldwork and almost 10 months after the end of the grant period, none of HCAP's five STEM programs were operational, and none of the computer and multimedia equipment, furniture, or supplies were in use. About 80 percent of the items were still in their original, unopened boxes and sat idle in HCAP's administrative office or at an offsite storage location. The remaining 20 percent of the items were installed but remained unused in a locked community center where HCAP planned to open its first STEM program. After our onsite fieldwork had ended, HCAP officials informed us that the STEM program at this center opened on September 14, 2011.

The State agency claimed unallowable costs because it did not have adequate monitoring procedures to ensure that the CSBG costs claimed for HCAP's program expenditures were allowable in accordance with applicable Federal requirements. The State agency approved HCAP's purchase of the equipment, furniture, and supplies after HCAP provided a written justification of how the items would be used in its five STEM programs. However, the State agency did not verify that HCAP needed the items at the time of the purchase. State agency officials told us that, based on HCAP's delay in implementing its programs, they should have denied HCAP's request to purchase the items.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government \$513,649 for unallowable costs and
- strengthen monitoring procedures to ensure that costs claimed are allowable in accordance with applicable Federal requirements.

HONOLULU COMMUNITY ACTION PROGRAM COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, HCAP disagreed with our finding that HCAP's purchase of the items for the STEM programs was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs. However, HCAP did not directly address our finding that the costs claimed were not allocable to the award given that the items purchased provided no benefit to programs funded under the Recovery Act award.

Nothing in HCAP's comments caused us to revise our findings. We maintain that HCAP's purchase of the items for the STEM programs was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs. Although the items purchased may one day be used to address the needs of youth in low-income communities through youth development programs, the items were not needed at the time of purchase and did not provide a benefit under the Recovery Act award.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency disagreed with our findings and recommendations. The State agency commented that equipment costs for two of the community centers should be allowed because those sites were already operational. The State agency requested that HCAP be given until June 30, 2013, to make the remaining three of its local STEM programs fully operational and suggested that for each site that is not operational as of that date, one-fifth of the total equipment cost of \$513,649 should be reimbursed to the Federal Government.

Nothing in the State agency's comments caused us to revise our findings or recommendations. Although HCAP ultimately used some of the equipment, the items were not needed at the time of purchase and did not provide a benefit before the end of the Recovery Act period (September 30, 2010). We do not have the authority to negotiate with the State agency regarding the proposed resolution. As the CSBG program administrator, the Administration for Children and Families, Office of Community Services, is responsible for resolving the findings and recommendations.

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INTRODUCTION

BACKGROUND

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, authorized supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization. The Recovery Act provided \$1 billion to the Community Services Block Grant (CSBG) program for fiscal years (FY) 2009 and 2010. As with annually appropriated CSBG funds, Recovery Act funds were to be used to reduce poverty, revitalize low-income communities, and help low-income Americans. In addition, CSBG services funded by the Recovery Act were to be provided on or before September 30, 2010.

Community Services Block Grant Program

The CSBG program was reauthorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (CSBG Act), P.L. No. 105-285, to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health and Human Services (HHS), 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 1,100 local community action agencies (CAA) that deliver programs and services to low-income Americans. The CAAs provide services addressing employment, education, better use of available income, housing, nutrition, and health to combat the causes of poverty. Recovery Act grant funds were intended to cover additional costs for the same types of services.

Hawaii Department of Labor and Industrial Relations, Office of Community Services

In Hawaii, the Department of Labor and Industrial Relations, Office of Community Services (State agency), was responsible for approving CAAs' applications for CSBG Recovery Act funds and monitoring CAAs' compliance with Federal requirements. Under the Recovery Act, the State agency was awarded \$5 million in additional CSBG funds for FYs 2009 and 2010.

Honolulu Community Action Program, Inc.

Honolulu Community Action Program, Inc. (HCAP), is a private, nonprofit CAA that has served Oahu's low-income residents since 1965. HCAP offers programs and services to help individuals and families become self-sufficient. Programs that HCAP offers include Head Start, youth services, a transitional shelter, child mentoring, and senior employment. Services that HCAP provides include food assistance, job readiness, and home energy assistance. In addition, HCAP partners with others to fill gaps in services for clients eligible under the Recovery Act.

For the period October 19, 2009, through September 30, 2010, the State agency awarded HCAP \$3,078,814 in CSBG Recovery Act funds (the award). HCAP expended \$2,390,918 of the award, which included \$513,649 for computer and multimedia equipment, furniture, and supplies for five afterschool programs that HCAP planned to open targeting at-risk elementary and middle school students. The remaining \$687,896 was not expended and was returned to the State agency.¹ HCAP referred to its afterschool programs as the Science, Technology, Engineering, and Math (STEM) programs.

Federal Requirements for Grantees

By accepting grant awards, States agree to comply with Federal regulations governing the administration of the grants, including compliance with various cost principles. 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 recipient of the funds. Nonprofit CAAs are subject to 45 CFR part 74, through which HHS applies the provisions of OMB Circular A-110. The regulations at 45 CFR § 74.27(a) state that the allowability of costs will be determined in accordance with 2 CFR part 230, *Cost Principles for Non-Profit Organizations*.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the CSBG costs that the State agency claimed for HCAP's program expenditures were allowable in accordance with applicable Federal requirements.

Scope

We reviewed the State agency's claim of \$2,390,918 for HCAP's program expenditures funded by the Recovery Act award for the period October 19, 2009, through September 30, 2010. We did not review the overall internal control structure of the State agency or HCAP. We limited our review of internal controls to those that were significant to the objective of our audit.

We conducted our audit from June to October 2011 and performed fieldwork at the State agency's and HCAP's offices in Honolulu, Hawaii.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;

¹ We reviewed the award funds returned to the State agency as part of a separate audit. Our report, entitled *Hawaii Claimed Unallowable Community Services Block Grant Costs for Administrative Expenditures Under the Recovery Act* (A-09-12-01000), was issued June 20, 2012.

- reviewed contractual and supplemental agreements between the State agency and HCAP for the period October 19, 2009, through September 30, 2010;
- reviewed HCAP's board of directors' meeting minutes;
- reviewed HCAP's accounting policies and procedures;
- interviewed State agency officials to gain an understanding of their fiscal and program monitoring procedures;
- interviewed HCAP officials to gain an understanding of the costs charged under the award;
- reviewed the State agency's fiscal and program monitoring reports;
- reviewed correspondence between the State agency and HCAP officials;
- reviewed HCAP's audited financial statements for the periods April 1, 2007, through March 31, 2008; April 1, 2008, through March 31, 2009; and April 1, 2009, through March 31, 2010;
- reconciled the costs that the State agency claimed under the award with HCAP's general ledger;
- analyzed HCAP's general ledger to identify large, unusual, and/or recurring transactions and examined, on a test basis, evidence supporting selected transactions for claimed costs to determine their allowability;²
- visited HCAP's facilities where equipment and supplies were installed or stored;
- followed up with HCAP officials on October 2, 2012, regarding the status of their STEM programs; and
- discussed our findings with State agency and HCAP officials.

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

² We selected and examined all transactions for equipment, furniture, and supply costs claimed for the STEM programs. We determined that the number, dollar amounts, and types of transactions selected were sufficient for determining allowability of costs on the basis of the adequacy of supporting documentation.

FINDINGS AND RECOMMENDATIONS

Of the \$2,390,918 of CSBG costs that the State agency claimed for HCAP's program expenditures, \$1,877,269 was allowable in accordance with applicable Federal requirements. The remaining \$513,649 represented unallowable costs for computer and multimedia equipment, furniture, and supplies. These costs were unallowable for the following reasons:

- HCAP's purchase of these items was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs.
- The costs that the State agency claimed for these items were not allocable to the award because the items provided no benefit to programs funded under the Recovery Act award.

The State agency claimed unallowable costs because it did not have adequate monitoring procedures to ensure that the CSBG costs claimed for HCAP's program expenditures were allowable in accordance with applicable Federal requirements.

See Appendix A for a schedule of the costs that the State agency claimed for HCAP's expenditures and the results of our audit (i.e., allowable and unallowable costs).

FEDERAL REQUIREMENTS

Section 3(a) of the Recovery Act states that the purposes of the Recovery Act were, among other things, to preserve and create jobs and promote economic recovery; assist those most impacted by the recession; and stabilize State and local government budgets to minimize and avoid reductions in essential services.

Division A, Title VIII, of the Recovery Act provided additional CSBG funds to States for carrying out activities under sections 674 through 679 of the CSBG Act. Section 672 of the CSBG Act states that the purposes and goals of the CSBG program are to reduce poverty, revitalize low-income communities, and empower low-income families and individuals in rural and urban areas to become fully self-sufficient.

Federal cost principles (2 CFR part 230, Appendix A, section A.2.) state that to be allowable under an award, costs must be reasonable for the performance of the award and be allocable to the award under Federal cost principles. Regarding the reasonableness of costs, Federal cost principles (2 CFR part 230, Appendix A, section A.3.) state:

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.

- b. The restraints or requirements imposed by such factors as ... Federal and State laws and regulations, and terms and conditions of the award.
- c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.

Regarding the allocability of costs, Federal cost principles (2 CFR part 230, Appendix A, section A.4.) state:

- a. A cost is allocable to a particular cost objective, such as a grant ... in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - (1) Is incurred specifically for the award.
 - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received

ACF's CSBG Information Memorandum, Transmittal No. 109, stated that services funded by the Recovery Act were to be provided on or before September 30, 2010.

UNALLOWABLE COSTS FOR EQUIPMENT, FURNITURE, AND SUPPLIES

Of the \$532,092 of equipment, furniture, and supplies purchased by HCAP and claimed by the State agency under the Recovery Act, \$18,443 was allowable. HCAP used these items for the purposes of the Recovery Act. The remaining \$513,649 was unallowable because the purchase of these items was not prudent or reasonable and the costs claimed for these items were not allocable to the award.

Purchase of Equipment, Furniture, and Supplies Was Not Prudent

HCAP's purchase of equipment, furniture, and supplies was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs. In addition, HCAP officials did not act with prudence when purchasing the items, considering their responsibilities to their clients, the public at large, and the Federal Government.

In August and September 2010, in the 2 months before the end of the grant period, HCAP purchased \$513,649 of equipment, furniture, and supplies for five STEM programs. This amount consisted of \$447,045 for computer and multimedia equipment, \$63,118 for furniture, and \$3,486 for supplies. The computer and multimedia equipment included 5 student recording studio workstations at a cost of about \$28,000 each, as well as 102 Dell computers (totaling over \$106,000) and 38 Apple iMac computers (totaling over \$55,000). HCAP purchased these items without having a timeline for when the STEM programs would be in operation or services would be provided to students. Given the grant period, it seemed unlikely that these purchases would have been used to benefit the programs during that time period.

See Appendix B for a complete list of the items that HCAP purchased for the five STEM programs.

Equipment, Furniture, and Supplies Provided No Benefit to Programs Funded Under the Award

The costs that the State agency claimed for HCAP’s purchase of equipment, furniture, and supplies were not allocable to the award because the items provided no benefit to programs funded under the Recovery Act award. As of July 7, 2011, the last day of our onsite fieldwork and almost 10 months after the end of the grant period, none of HCAP’s five STEM programs was operational, and none of the computer and multimedia equipment, furniture, and supplies had been used by students. About 80 percent of the items were still in their original, unopened boxes and sat idle in HCAP’s administrative office or at an offsite storage location. The remaining 20 percent of the items purchased were installed but remained unused in a locked community center where HCAP planned to open its first STEM program.

Photograph 1, taken on June 28, 2011, shows unopened boxes of computer and multimedia equipment (e.g., Dell and Apple computers, Samsung LED televisions, and Hewlett-Packard monitors) stored in HCAP’s administrative office.

Photograph 1: Computer and Multimedia Equipment in Storage



Photograph 2, taken on June 28, 2011, shows unopened boxes of Sony digital camcorders stored in HCAP's administrative office.

Photograph 2: Digital Camcorders in Storage



Photograph 3, taken on July 6, 2011, shows unopened boxes of furniture stored at an offsite storage location.

Photograph 3: Furniture in Storage



Photograph 4, taken on June 29, 2011, shows an unused recording studio workstation at the one HCAP community center, which had not yet opened. The recording studio workstation was not fully installed.

Photograph 4: Unused Recording Studio Workstation in a Community Center



Photograph 5, taken on June 29, 2011, shows three Apple iMac computers and six Dell computers and monitors installed at the one HCAP community center, which had not yet opened.

Photograph 5: Unused Dell and Apple iMac Computers in a Community Center



Only One of Five Community Centers Opened

After our onsite fieldwork had ended, HCAP officials informed us that the first community center for the first STEM program was opened on September 14, 2011. Regarding the four other STEM programs, HCAP officials told us that they expected to open the second program by December 2011.³ HCAP officials did not know when they would open the remaining three programs because they still needed resources to repair one community center and were looking for space for the other two programs.

LACK OF ADEQUATE MONITORING PROCEDURES

The State agency did not have adequate monitoring procedures to ensure that the CSBG costs claimed for HCAP's program expenditures for equipment, furniture, and supplies were allowable in accordance with applicable Federal regulations. The State agency approved HCAP's purchase of the equipment, furniture, and supplies after HCAP provided a written justification of how the items would be used in its five STEM programs. However, the State agency did not verify that HCAP needed the items at the time of the purchase. State agency officials told us that, based on HCAP's delay in implementing its programs, they should have denied HCAP's request to purchase the items.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government \$513,649 for unallowable costs and
- strengthen monitoring procedures to ensure that costs claimed are allowable in accordance with applicable Federal requirements.

HONOLULU COMMUNITY ACTION PROGRAM COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, HCAP disagreed with our finding that HCAP's purchase of the items for the STEM programs was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs. However, HCAP did not directly address our finding that the costs claimed were not allocable to the award given that the items purchased provided no benefit to programs funded under the Recovery Act award.

HCAP stated that we did not conduct the appropriate analysis, required in Federal regulations, to determine the reasonableness of a given cost, including whether the cost was of a type generally recognized as ordinary and necessary. HCAP also stated that our draft report was limited in its analysis of the restraints imposed by Federal and State requirements and the terms and conditions of the award. HCAP disagreed strongly with our finding that HCAP officials did not act with prudence when purchasing the items. Finally, HCAP provided information on the current status

³ After we had received HCAP's comments on our draft report, HCAP informed us that the second community center opened on August 23, 2012.

of its STEM programs. HCAP's comments, which we summarize below, are included in their entirety as Appendix C. We redacted personally identifiable information.

Nothing in HCAP's comments caused us to revise our findings. We maintain that HCAP's purchase of the items for the STEM programs was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs. Although the items purchased may one day be used to address the needs of youth in low-income communities through youth development programs, the items were not needed at the time of purchase and did not provide a benefit under the Recovery Act award.

Costs Generally Recognized as Ordinary and Necessary for the Operation of the Organization or Performance of the Award

Honolulu Community Action Program Comments

HCAP stated that we did not attempt to conduct an analysis of whether the costs were of a type generally recognized as ordinary and necessary. HCAP stated that although we referenced both the Recovery Act and the CSBG Act as part of Federal requirements, we did not include a reference to section 676(b)(1)(B) of the CSBG Act, which authorized funding support to address the needs of youth in low-income communities through youth development programs (e.g., afterschool childcare programs). HCAP stated that there was "little doubt" that its STEM programs fell squarely within the CSBG program's stated purposes and goals. Referring to 2 CFR part 230, Appendix A, section A.3, HCAP concluded that the equipment and furniture purchased were "of the quantity, type, and quality that generally would be ordinary and necessary to successfully operate the program and perform the necessary services at the various planned sites."

HCAP stated that we based our conclusion that the purchases were not prudent or reasonable on the observation that there was not a "timeline for when the STEM programs would be in operation or services would be provided to students." HCAP maintained that there was substantial and sustained planning and activity toward opening the programs at all phases of the process. In its comments, HCAP outlined the activities that occurred before the first community center opened.

Office of Inspector General Response

We agree that funding under section 676(b)(1)(B) of the CSBG Act could be used for afterschool programs that address the needs of youth in low-income communities. However, the equipment, furniture, and supplies for the STEM programs were purchased with Recovery Act funds, and CSBG services funded by the Recovery Act were to be provided on or before September 30, 2010. Because the STEM programs were not operational and the items purchased were either in storage or sat idle long after the Recovery Act period ended, the cost of these items was not of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the Recovery Act award.

Even though HCAP outlined the activities that occurred before the first community center opened, HCAP's outline did not include information on when the STEM programs would be in operation or services would be provided to students. However, even if a timeline had existed (we found no evidence of one given to the State agency), the items purchased provided no benefit to programs funded under the Recovery Act award.

Restraints Imposed by Federal and State Requirements and Terms and Conditions of the Award

Honolulu Community Action Program Comments

HCAP stated that the draft report was limited in its analysis of the restraints or requirements imposed by Federal and State laws and regulations and the terms and conditions of the award. HCAP stated that our primary objection to the purchases of equipment was that the afterschool program was not able to be operational during the CSBG Recovery Act period ended September 30, 2010. HCAP maintained that the analysis should focus on the relationship, understanding, and communication between HCAP and the State agency.

- HCAP commented that State agencies were directly responsible for administering and communicating with the CSBG program's eligible entities and stated that HCAP was a direct grantee of the State agency. HCAP also commented that the State agency, through its State plan, determined the scope and parameters of the CSBG program, subject to Federal requirements.
- HCAP commented that the State agency was delayed in executing its first CSBG Recovery Act contract with HCAP. HCAP also commented that the State agency lost key staff with CSBG and other Federal program experience. In addition, HCAP maintained that throughout the Recovery Act period, the State agency was limited in its ability to provide clear and consistent guidance, direction, and sometimes even basic information about Recovery Act requirements.
- HCAP commented that the State agency worked closely with HCAP throughout the program planning and implementation phases. HCAP also commented that the State agency was aware of the delayed status of the program, yet proceeded with approving the equipment purchases and even assisted with the process.

Office of Inspector General Response

We maintain that the costs claimed for the purchase of the equipment, furniture, and supplies were subject to the restraints or requirements imposed by Federal regulations and the terms and conditions of the award. Specifically, CSBG services funded by the Recovery Act were to be provided by September 30, 2010. However, as of July 7, 2011, the last day of our onsite fieldwork and almost 10 months after the end of the grant period, none of HCAP's five STEM programs were operational, and none of the computer and multimedia equipment, furniture, and supplies had been used by students.

Regarding HCAP's comment that the analysis should focus on the relationship, understanding, and communication between HCAP and the State agency, we have the following responses:

- We agree that State agencies are responsible for administering the CSBG program, communicating with the program's CAAs, and determining the scope and parameters of the program.
- We do not express an opinion regarding HCAP's comments on the difficulties encountered with the State agency throughout the Recovery Act period. Any problems that may have occurred between HCAP and the State agency were beyond the scope of our review.
- We maintain that the State agency did not have adequate monitoring procedures to ensure that the Recovery Act costs claimed for HCAP's program expenditures were allowable in accordance with applicable Federal regulations. Even though HCAP commented that the State agency was aware of the status of the program and approved the purchases, we maintain that the State agency should have verified that HCAP needed the items at the time of the purchase.

Acting With Prudence Considering Responsibilities to Clients, the Public, and the Federal Government

Honolulu Community Action Program Comments

HCAP disagreed strongly with our finding that HCAP officials did not act with prudence when purchasing the items. HCAP stated that it took its responsibility to its clients seriously and sought to foster enthusiasm, improve academic performance, and change the trajectory of young people's lives. HCAP also stated that its officials acted transparently and responsibly in purchasing the equipment and bringing the program to fruition despite obstacles and challenges. In addition, HCAP stated that it believed the STEM program was in line with the Federal CSBG program's directive to address the causes and conditions of poverty at the local level.

Office of Inspector General Response

We maintain that HCAP officials did not act with prudence when purchasing the items, considering their responsibilities to their clients, the public at large, and the Federal Government. HCAP did not provide any services to its clients during the Recovery Act period as a direct result of the \$513,649 of equipment, furniture, and supplies purchased for the STEM programs. The purchase of these items was not prudent because it was made well in advance of the need for the items and could be seen as an effort to stockpile supplies and obligate funds before the end of the grant period, well before these items could be useful. Specifically, HCAP purchased these items in August and September 2010, 2 months before the end of the grant period, without having a timeline for when the STEM programs would be in operation or services would be provided to students. None of the items were used by students until approximately 1 year after the end of the grant period when the first STEM program opened on September 14, 2011. The second STEM

program did not open until approximately 2 years after the end of the grant period. As of October 2, 2012, none of the remaining three STEM programs had opened.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency disagreed with our findings and recommendations. We included the State agency's comments and exhibits in their entirety as Appendix D and redacted the names of HCAP and State agency officials.

- Regarding our finding that purchase of the items was not prudent or reasonable, the State agency commented that our finding was based on the very strict view that the purchase of any equipment whose reasonable lifespan would extend beyond the Recovery Act period would be disallowed in whole or in part.
- Regarding our finding that the costs claimed for these items were not allocable to the award, the State agency commented that we recognized that operation of the STEM programs after the end of the Recovery Act period was an entirely reasonable and proper use of those funds.
- Regarding our statement that the State agency did not have adequate monitoring procedures, the State agency commented that it had justifiably and reasonably relied on HCAP's firm and clear written representations that (1) it had identified five sites for the STEM programs, (2) HCAP's board of directors supported the program, and (3) HCAP was ready to commit funds to the STEM programs into the future.

The State agency also commented that equipment costs for two of the community centers should be allowed because those sites were already operational. The State agency requested that HCAP be given until June 30, 2013, to make the remaining three of its local STEM programs fully operational. The State agency suggested that for each site that is not operational as of that date, one-fifth of the total equipment cost of \$513,649 should be reimbursed to the Federal Government.

Nothing in the State agency's comments caused us to revise our findings or recommendations. We maintain that HCAP's purchase of the items for the STEM programs was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs. The State is incorrect that our finding of unallocability is based on a view that the usefulness of the equipment had to cease at the completion of the grant period; we recognize and expect that the lifespan of equipment would extend beyond the project period. These items were purchased with Recovery Act funds, and CSBG services funded by the Recovery Act were to be provided on or before September 30, 2010. The equipment had not been used by the end of the project period or well thereafter. Thus, the costs that the State agency claimed for these items were not allocable to the award because the items provided no benefit to programs funded under the Recovery Act award. Although HCAP ultimately used some of the equipment, the items were not needed at the time of purchase and did not provide a benefit before the end of the Recovery Act period (September 30, 2010). We do not have the authority to negotiate with the

State agency regarding the proposed resolution. As the CSBG program administrator, ACF's Office of Community Services is responsible for resolving the findings and recommendations.

APPENDIXES

**APPENDIX A: COSTS CLAIMED AND RESULTS OF AUDIT FOR THE PERIOD
OCTOBER 19, 2009, THROUGH SEPTEMBER 30, 2010**

Element of Cost	Claimed	Allowable	Unallowable
Programs and Projects	\$1,679,735	\$1,679,735	\$0
Equipment ¹	515,793	5,630	510,163
Salaries and Wages	124,396	124,396	0
Fringe Benefits	39,881	39,881	0
Supplies	16,299	12,813	3,486
Benefit and Enrollment Coordination	9,865	9,865	0
Mileage	1,816	1,816	0
Telephone and Postage	762	762	0
Other Direct Costs	2,371	2,371	0
Total	\$2,390,918	\$1,877,269	\$513,649

¹ Equipment costs included costs for computer and multimedia equipment and furniture.

**APPENDIX B: EQUIPMENT, FURNITURE, AND SUPPLIES PURCHASED BY
HONOLULU COMMUNITY ACTION PROGRAM FOR
FIVE AFTERSCHOOL PROGRAMS**

Computer and Multimedia Equipment	No. of Units	Total Cost
Student Recording Studio Workstation	5	\$141,853
Dell Computer Optiplex 780	102	106,830
Apple iMac Computer	38	55,540
SMART Board Interactive Whiteboard System	5	25,827
Dell Monitor E2210	102	24,378
Dell Server Poweredge R310	5	9,211
Administrator Recording Studio Workstation	1	8,137
Samsung 46" LED 6300 Series Television	5	6,885
Hewlett-Packard Printer LaserJet P4015N	6	6,372
In Focus Projector IN3114 DLP	5	6,305
Dell Laptop Latitude E5510	5	5,645
Sony Digital Camcorder Handycam HDRCX550V	5	5,328
AppleCare Protection Plan	38	5,016
BOSE Speaker System Cinemate II	5	3,254
LEGO Mindstorms Robotics Kit	10	3,219
Dell 2145CN Multifunction Color Laser Printer	6	2,915
Canon Digital Camera Powershot SD1400IS	10	2,384
Samsung Blue Ray Player BD-C5500	5	815
Dell Monitor IN1910N	5	660
Computer Software		13,871
Other Items		12,600
Subtotal for Computer and Multimedia Equipment		\$447,045

Furniture	No. of Units	Total Cost
HON Huddle Multi-Purpose Table	49	\$21,865
HON G21 Olson Task Chair	98	13,212
Workrite SA-1000S Monitor Arm	66	12,747
Vertical 902 CPU Holder	66	11,743
HON Double Pedestal Desk	6	2,389
HON 5902 Comfort Task Chair	6	1,162
Subtotal for Furniture		\$63,118
Supplies	No. of Units	Total Cost
Wall Mount Rack 12RU Swing Gate	6	\$1,050
Keystone Jack RJ45	250	625
Ethernet Cable CAT5E Plenum White 1000 Foot Reel	3	510
48-Port Patch Panel for Ethernet Cable CAT5E	5	475
Other Items		826
Subtotal for Supplies		\$3,486
Grand Total		\$513,649

APPENDIX C: HONOLULU COMMUNITY ACTION PROGRAM COMMENTS



MAY 24 2012

A Non-Profit Human Service Agency

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Honolulu Community Action Program, Inc.

May 22, 2012

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 Mark L. Forman
Club
 Ellis Abe
Vice Chair
 Rep. Isaac W. Choy
Secretary/Treasurer

2011 - 2012
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Attorney at Law
 Phyllis Ido
P.O. Windward Grant
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 William Shiroma
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Chamber of Commerce
 Robert M.E. Piper, Esq.
Executive Director

HEAD START OFFICES:

- * KAPALAMA
 Tel: (808) 847-2400
- * KUNIA
 Tel: (808) 621-5059

TO: VIA HHS/OIG DELIVERY SERVER AND CERTIFIED US MAIL. RETURN RECEIPT REQUESTED:
 Ms. Lori A. Ahlstrand
 Regional Inspector General for Audit Services
 Department of Health and Human Services
 Office of Inspector General
 90 - 7th Street, Suite 3-650
 San Francisco, California 94103

FROM: Chad Iramina
 Executive Assistant
 Honolulu Community Action Program, Inc.

RE: Honolulu Community Action Program, Inc.'s Response to the Draft Report by the Department of Health and Human Services, Office of Inspector General entitled "Hawaii Claimed Unallowable Community Services Block Grant Costs for Honolulu Community Action Program, Inc.'s Expenditures Under the Recovery Act" dated April 2012 with Reference No. A-09-11-01007

TRANSMITTED HEREWITH:

<input type="checkbox"/> For Your Information	<input type="checkbox"/> For Your Signature and Return
<input type="checkbox"/> Your Immediate Action	<input checked="" type="checkbox"/> For Your Review and Action
<input type="checkbox"/> Per Our Conversation	<input type="checkbox"/> For Your Files
<input checked="" type="checkbox"/> Per Your Request	<input type="checkbox"/> See Remarks Below

DESCRIPTION

Enclosed you will find the Honolulu Community Action Program, Inc.'s response to the Department of Health and Human Services, Office of Inspector General Report No. A-09-11-01007.

If you should have any questions, please feel free to contact me at (808) 521-4531 or via e-mail at chadi@hcapweb.org.

Enclosure

DISTRICT CENTERS

- * CENTRAL O'AHU
Tel: (808) 488-6834
- * KALIHI-PALAMA
Tel: (808) 847-3404
- * LEAHI
Tel: (808) 732-7755
- * LEEWARD
Tel: (808) 696-4261
- * WINDWARD
Tel: (808) 239-5754



Honolulu Community Action Program, Inc.'s
Response to the Draft Report by the
Department of Health and Human Services,
Office of Inspector General entitled "Hawaii
Claimed Unallowable Community Services
Block Grant Costs for Honolulu Community
Action Program, Inc.'s Expenditures Under
the Recovery Act" dated April 2012 with
Reference No. A-09-11-01007

BACKGROUND

From June 27 – July 7, 2011, the U.S. Department of Health and Human Services, Office of Inspector General (OIG) performed fieldwork at Honolulu Community Action Program, Inc. (HCAP) in Honolulu, Hawaii, as part of its audit of the State of Hawaii’s Community Services Block Grant – American Recovery and Reinvestment Act (CSBG-ARRA) program. The OIG’s audit of HCAP came after its audit team had conducted similar fieldwork from June 21 - 24, 2011, at the State of Hawaii, Department of Labor and Industrial Relations, Office of Community Services, the State agency responsible for the administration of the CSBG-ARRA program in Hawaii.

On January 30, 2012, OIG conducted its formal exit interview with HCAP by teleconference. At the exit interview, OIG informed HCAP that the draft audit report (draft report) would be forthcoming, and that upon HCAP’s receipt and review of the draft report, the agency would be invited to provide formal comment for OIG’s further consideration. On April 18, 2012, HCAP received the OIG draft report entitled *Hawaii Claimed Unallowable Community Services Block Grant Costs for Honolulu Community Action Program, Inc.’s Expenditures under the Recovery Act*. In its transmittal letter of the same date, OIG requested written comments from HCAP within five days. OIG also indicated that the draft report “is subject to further review and revision.” On April 18, 2012, in response to HCAP’s written request, OIG informed HCAP that it would allow an extension to May 21, 2012, for HCAP to submit its written comments on the draft report.

OIG DRAFT REPORT FINDINGS

In the draft report, OIG states that its objective in conducting the audit was “to determine whether CSBG costs that the State agency claimed for HCAP’s program expenditures were *allowable in accordance with applicable Federal requirements.*” (Emphasis added.) Specifically, the draft report references Section 3(a) and Division A, Title VII of the American Reinvestment and Recovery Act; Sections 672 and Sections 674-679 of the Community Services Block Grant Act; and 2 CFR part 230, Appendix A, sections A.2. thru A.4.;¹ as the federal

¹ The April 18, 2012 draft audit report (audit report) of the Department of Health and Human Services, Office of Inspector General (OIG) sets forth on pages 4-5 the following with respect to the Code of Federal Regulations it references: “Federal cost principles (2CFR part 230, Appendix A, section A.2) state that to be allowable under an award, costs must be reasonable for the performance of the award and be allocable to the award under Federal cost principles. Federal cost principles (2 CFR part 230, Appendix A, section A.3.) state:

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- b. The restraints or requirements imposed by such factors, as . . . Federal and State laws and regulations, and terms and conditions of the award.
- c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.

Federal cost principles (2 CFR part 230, Appendix A, section A.4) state:

- a. A cost is allocable to a particular cost objective, such as a grant . . . in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - (1) Is incurred specifically for the award.
 - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received.

requirements that would govern OIG's analysis of whether certain expenditures were "allowable."

The draft report determined that "[o]f the \$2,390,918 of CSBG costs that the State agency claimed for HCAP's program expenditures, \$1,877,269 was allowable in accordance with applicable Federal requirements." The draft report, however, also determined that "[t]he remaining \$513,649 represented unallowable costs for computer and multi-media equipment, furniture, and supplies." According to the OIG, these costs were unallowable because:

- *HCAP's purchase of these items was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs. Specifically, HCAP purchased these items for the STEM programs in August and September 2010, 2 months before the end of the grant period, without having a timeline for when the STEM programs would be in operation or services would be provided to students. Given the grant period, it seemed unlikely that these purchases would be used to benefit the programs.*
- *The costs that the State agency claimed for these items were not allocable to the award because the items provided no benefit to programs funded under the Recovery Act award. As of July 7, 2011, the last day of our onsite fieldwork and almost 10 months after the end of the grant period, none of HCAP's five STEM program was operational, and none of the computer and multimedia equipment, furniture, or supplies were in use. About 80 percent of the items were still in their original, unopened boxes and sat idle in HCAP's administrative office or at an offsite storage location. The remaining 20 percent of the items were installed but remained unused in a locked community center where HCAP planned to open its first STEM program.*

The draft report concluded that "HCAP officials did not act with prudence when purchasing the items, considering their responsibilities to their clients, the public at large, and the Federal Government."

The draft report also criticized the State agency, stating that it claimed unallowable costs because it "did not have adequate monitoring procedures to ensure that the CSBG costs claimed for HCAP's program expenditures were allowable in accordance with applicable Federal requirements." The draft report acknowledges that the State agency approved HCAP's purchases "after HCAP provided a written justification of how the items would be used[.]" However, the draft report finds that the State agency "did not verify that HCAP needed the items at the time of the purpose[.]" and reports that during the audit, State agency officials told OIG auditors that "based on HCAP's delay in implementing its programs, [the State agency] should have denied HCAP's request to purchase the items."

The draft report concludes with the recommendations that the State agency:

- refund to the Federal Government \$513,649 for unallowable costs and

- strengthen monitoring procedures to ensure the costs claimed are allowable in accordance with applicable Federal requirements.

HCAP RESPONSE

Program Description

The STEM program that is the subject of the questioned expenditures in the draft report is an official agency program, sanctioned and approved by Honolulu Community Action Program's Board of Directors, and operating in-line with Community Services Block Grant (CSBG) objectives. The program's formal name is *The Hā Initiative: Creative STEM After School Program*.

The Hā Initiative is a free, center-based, after school program that helps at-risk youth establish a strong foundation in science, math, engineering, and technology (STEM). Open to elementary and middle school students, the program seeks to improve academic performance, increase family and community involvement, and develop the next generation of science and technology leaders. The Hā Initiative is named for the hā, or "stem" of the taro, a fundamental food source and important plant in the culture, history, and identity of Hawaii and its people. As the stem supports the taro, the Hā Initiative offers a range of activities that are fun, informative, and participant-driven, with the goals of increasing self-sufficiency and supporting youth to achieve academic and personal success.

In line with CSBG objectives, the Hā Initiative's target population is low-income, at-risk youth in Oahu's neediest and most economically depressed communities. Youth in these communities face multiple risk factors: English as a second language, acculturation issues, learning disabilities, lack of family support, and high rates of substance abuse, gang involvement and teen pregnancy. The Hā Initiative addresses these risk factors by providing participants with positive adult role models, academic and social skill development, and a safe, structured environment for healthy interaction and individual self-expression.

Family and community involvement is key to the success of the Hā Initiative. The families of program participants are involved as volunteers and by attending Open House nights and program activities. High school, college and adult volunteers from the community provide tutoring one-on-one and in small groups, read with the kids, and participate in lab activities. Staff and volunteers model positive values and behaviors and reinforce the program's clear rules and standards of conduct. Volunteer policies and procedures have been implemented to protect the health and safety of participants, including State and Federal background checks and fingerprinting for all volunteers.

The goal of the Hā Initiative is to improve academic and personal success for children who face significant barriers. Children in Hawaii, and particularly children from low-income families, have demonstrated historically low academic performance. The U.S. Department of Education reports that in 2009, Hawaii was one of only ten states to score lower than the national average in 4th grade science and one of fifteen ranked below-average in 8th grade science. Reversing these

trends requires positive learning experiences outside of school, but many low-income families are not able to provide these. The Hā Initiative provides a safe place for kids to focus on learning and become part of a supportive community. By increasing academic success and encouraging young people to actively engage in community issues and pursue their goals, HCAP is proud to be helping create the next generation of community leaders.

As indicated in the draft report, the Hā Initiative’s first program site opened in September 2011. Located in the downtown Kalihi-Palama neighborhood on the grounds of St. Elizabeth’s Episcopal Church, the program is intentionally situated in an area with the highest concentration of public housing projects in the state. Mayor Wright Homes, a public housing complex notorious for its poor living conditions and high incidence rate of crime, violence, drug use and trafficking, is located just one block away. Roughly 90% of the registered 62 youth participants at the Kalihi-Palama site are Pacific Islander youth who live at Mayor Wright Homes. The program’s second site opens this summer in Waianae, an impoverished rural community on the Leeward coast of Oahu.

Analysis

I.

HCAP respectfully disagrees with the draft report’s contention that HCAP’s purchase of the items for the Hā Initiative was “not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs.”

First, the draft report bases its conclusion solely on the observation that when HCAP purchased the items for the STEM program in August and September 2010, HCAP did not have “a timeline for when the STEM programs would be in operation or services would be provided to students.” (OIG p.ii & 5.) While HCAP disputes this assertion as well, HCAP maintains that the draft report, while citing 2 CFR part 230, Appendix A, section A.3., did not adequately conduct the appropriate analysis, required in the regulation itself, to determine “the reasonableness of a given cost[.]” 2 CFR part 230, Appendix A, section A.3. states:

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.*
- b. The restraints or requirements imposed by such factors, as . . . Federal and State laws and regulations, and terms and conditions of the award.*

- c. *Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.*

(Emphasis added).

A.

i.

In the Federal Requirements section of the draft report, the OIG references both the American Recovery and Reinvestment Act and the Community Services Block Grant Act. Specifically, the draft report mentions that, among other things, one of the purposes of the Recovery Act was to “assist those most impacted by the recession.” The draft report further adds that:

[T]he Recovery Act provided additional CSBG funds to States for carrying out activities under sections 674 through 679 of the CSBG Act. Section 672 of the CSBG Act states that the purposes and goals of the CSBG program are to reduce poverty, revitalize low-income communities, and empower low-income families and individuals in rural and urban areas to become fully self-sufficient.”

OIG draft report, p. 4. (Emphasis added).

The draft report did not include the following reference to Section 676(b)(1)(B) of the CSBG Act which authorizes CSBG funding support:

....

(B) to address the needs of youth in low-income communities through youth development programs that support the primary role of the family, give priority to the prevention of youth problems and crime, and promote increased community coordination and collaboration in meeting the needs of youth, and support development and expansion of innovative community-based youth development programs that have demonstrated success in preventing or reducing youth crime, such as--

....

(ii) after school child care programs[.]

ii.

From the above program description of the Hā Initiative: Creative STEM After School Program,² there is little doubt that the program falls squarely within the CSBG’s stated purposes and goals

² Notwithstanding the detailed descriptions HCAP provided to OIG auditors about the Hā Initiative during the latter’s two-week field audit at HCAP, including information about the program’s underlying philosophy, program design, and projected outcomes, the extent of the draft report’s description of the program was a cursory mention of “five afterschool programs that HCAP planned to open targeting at-risk elementary and middle school students.” OIG draft report, p.2.

“to reduce poverty, revitalize low-income communities, and empower low-income families and individuals in rural and urban areas to become fully self-sufficient.” The driving force behind HCAP’s decision to develop the Hā Initiative is the agency’s long and deeply held philosophy that the most effective and powerful long-term strategies to break the cycles of inter-generational poverty and to set future generations on the path to self-sufficiency involve an increase in the quality and quantity of educational opportunities for youth.³

Furthermore, the CSBG Act itself specifically calls for programs to “address the needs of youth in low income communities” through “innovative, community-based programs” such as the Hā Initiative. In fact, after school programs like the Hā Initiative are mentioned by named as the types of youth programs that the CSBG Act envisions and supports. It is noteworthy also to point out that in an Administration for Children & Families (ACF) document entitled *CSBG ARRA Questions, v.2 5/21/2009*, ACF lists for States and eligible entities to consider in developing their CSBG-ARRA plans, the types of activities that had been supported at the community level in prior CSBG programs. Included in that list were “[p]rograms to enhance academic achievement of students in grades K-12, while combatting drug or alcohol use and preventing violence[.]”

From the foregoing, HCAP maintains that the Hā Initiative not only is designed and suited to fulfill the Section 672 goals and purposes of the CSBG Act, but it is also very type of program activity specifically contemplated and called for by Section 676 of the CSBG Act itself. Given this fact, the analysis remains whether the costs of the equipment purchases in question “[are] of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.” HCAP believes that they are.

The STEM focus of the program necessitated the various types of computers, software, multi-media gear, smart boards, and other equipment that were procured. HCAP’s intention all along was to bring a state-of-the-art program in state-of-the-art facilities to the low-income communities and populations that are used to being last in line or even forgotten when it comes to distribution of community resources. In this respect, HCAP acted on its belief and firm conviction that that disadvantaged local youth, living in public housing or in depressed neighborhoods, should have the same access to the types of resources and opportunities that are readily available to their more fortunate counterparts at prestigious local private schools such as Punahou, Iolani, and St. Andrews Priory. In sum, then, the equipment and furniture purchased for the Hā Initiative are of the quantity, type, and quality that generally would be ordinary and necessary to successfully operate the program and perform the necessary services at the various planned sites.

The draft report does not even attempt to conduct this stage of the Section A.3. analysis; instead, it basis its conclusion that the purchases were not “prudent or reasonable” on the observation

³ HCAP’s commitment to this philosophy is exemplified in its operation, for the past 46 years, of the largest Head Start program in the state. For the past 11 years, it has operated an Out-of-School Youth program for at-risk youth, ages 14-21, that provides them a Competency-Based High School diploma program, as well as Work Experience, Work Readiness Training, and Youth Development Training. And, until recently when federal funding was zeroed out by Congress in 2011, HCAP was the sole Hawaii provider of the federal Mentoring Children of Prisoners program for youth with incarcerated parents.

that, in August and September 2010, there was not a “timeline for when the STEM programs would be in operation or services would be provided to students[,]” a contention with which HCAP disagrees and will address below.

iii.

The draft report’s above statement, unfortunately and incorrectly, conveys the notion that the equipment and furniture purchases occurred in a vacuum, with little or no careful planning and/or actual effort on the agency’s part. In fact, HCAP maintains that its efforts to establish and open the program have been consistent, sustained, and substantial.

In fact, the State agency itself was involved in the genesis of the program. In Fall 2009, the State agency approached HCAP to consider a CSBG-ARRA sub-grant to a small non-profit agency then operating an after school computer center in the low-income Leahi district of Oahu. After conducting its due diligence, HCAP determined that the agency was not set up nor adequately staffed to administer federally funded sub-grants.⁴ Through this experience, however, HCAP began seriously to consider how it might expand, refine, and otherwise improve the concept of a technology-centered after school program for low-income youth, and the Hā Initiative was born.

In January 2010, in response to community leads, HCAP approached St. Elizabeth’s Episcopal Church in the Kalihi-Palama neighborhood in downtown Honolulu to explore the possible use of the latter’s community center as an initial site. The space available was approximately 1100 square feet, but its condition was such that extensive repair and renovation work would be required. HCAP made numerous site visits over the next few months to assess the type and amount of work that would be required. HCAP also began initial discussions and negotiations with church officials concerning possible lease terms.

In early February 2010, HCAP began regular internal STEM after school program planning meetings to flesh out the design concept, develop preliminary budget requirements, discuss possible curricula, estimate build-out costs, and come up with initial IT requirements. On February 24, 2010, HCAP formally presented its intention and desire to include a STEM after school program in its revised CSBG-ARRA plan to State agency officials. State agency officials present at the February 24th meeting held at HCAP included then Executive Director, [REDACTED]; Senior Planner, [REDACTED] who by then was tasked with CSBG program administration responsibilities; and [REDACTED], the State agency’s chief fiscal officer. The State agency gave its preliminary approval of HCAP’s revised CSBG-ARRA plan, which included the STEM after school program.

In March 2010, after the February meeting with State agency officials, the Program Planning and Evaluation Committee of HCAP’s Board of Directors recommended to the full Board that program be approved by the full Board. Two weeks later, the Board formally adopted the program. In April and May, HCAP continued planning with respect to equipment and

⁴ HCAP’s due diligence was borne out when the non-profit shortly thereafter lost key staff, ceased operations, and closed the after school computer program permanently.

infrastructure needs and finalized a budget for the planned build out of the space. HCAP also conducted outreach and education about the program with the Mayor Wright Homes Tenant Association, the public housing project next to the St. Elizabeth's site. In June 2010, HCAP's Human Resources department initiated formal position descriptions for program staff, and the Planning department began initial work on curriculum development. Also during this time, HCAP met with and recruited potential community partners, including local musician/producer [REDACTED] Hawaii Community College's Mele (Music) Program, Future Flight Hawaii, HawaiianTelCom, and Avatar Reality, a virtual reality gaming .

In July 2010, HCAP concluded lease negotiations with St. Elizabeth's Episcopal Church and entered into a lease agreement that allowed HCAP exclusive use of the 1100 square foot space in the community center for the after school program *at no cost* to the agency. On July 20, 2010, HCAP issued a formal Request for Proposals for repair and renovation of both the St. Elizabeth's community center and HCAP's Central District Service Center, another planned site for the Hā Initiative. On July 29, 2010, one day before the bid submittal date, the State agency informed HCAP that CSBG-ARRA funds could not be utilized for *any* facility repair and maintenance costs, despite the State agency's prior knowledge of HCAP's plans and prior approval, through HCAP's CSBG-ARRA budget, to allow such expenditures. Although the State agency's last minute reversal obviously hampered and delayed its efforts to operationalize the program, HCAP continued to move the project forward. It proceeded with the planned purchases of necessary equipment and furniture in August and September, and seriously examined and explored options regarding financing for the repair and renovation of at least the first program site at St. Elizabeth's.

On September 23, 2010, in a concrete demonstration of the agency's strong and unwavering commitment to the program, HCAP's Board of Directors authorized the expenditure of up to \$95,000.00 in *unrestricted agency funds* to repair, renovate, and prepare the St. Elizabeth's facility for the program.⁵ HCAP immediately began preparation work for the site on or about October 2010. At roughly the same time, in early October 2010, HCAP started construction of its new 10,600 sq. ft. district service center in Leeward Oahu, funded by CDBG funds and a commitment from the Harry and Jeanette Weinberg Foundation. The new Leeward facility is the planned location of yet another Hā Initiative program site. To prove HCAP's commitment yet again, the agency altered the original architectural building plans for the new facility, which had been finalized years before, in order to accommodate the Hā program. In February 2011, the

⁵ Concurrent to all the activity occurring in 2010 with respect to preparations for the Hā Initiative, HCAP was operating the bulk of its CSBG-ARRA programming, which revolved around the concept of providing immediate emergency services and resources to those affected negatively by the economic recession. It accomplished this by activating and utilizing a network of experienced community partners to join in delivering these services and resources to the larger community. Some of the components included emergency rental and housing assistance, emergency food assistance, emergency utility bill assistance, employment-related transportation assistance, and employment training (including functional literacy) and placement assistance. HCAP administered and oversaw subcontracts with partner agencies including the Hawaii Food Bank, the Institute of Human Services, Goodwill Industries of Hawaii, Catholic Charities Hawaii, Hawaii Literacy, Hawaii Institute of Technology, Hawaii Helping the Hungry Have Hope, River of Life Mission, and the Pacific Gateway Center (formerly The Immigrant Center). These programs and services accounted for much of the \$1,877,269 in HCAP CSBG-ARRA expenditures that the OIG determined as "allowable" in the draft report. Moreover, HCAP also was the recipient and operating agency of approximately \$7,000,000.00 in additional ARRA funding for its Head Start, Weatherization, and Senior Community Service Employment Programs. Needless to say, during this time period, the agency was extremely busy and occupied with providing these much needed resources and services to Oahu's needy populations.

renovation of the St. Elizabeth site was completed, after which HCAP began in earnest its recruitment and hiring process for a Hā Initiative Program Manager.

In May 2011, HCAP hired Ms. [REDACTED] as the Hā Initiative's first Program Manager. Ms. [REDACTED] was graduated from the University of California – Los Angeles with a degree in Psychology. She also received her Master in Education, with a specialty in prevention programming, from Harvard University. From May through August 2011, Ms. [REDACTED] finalized the program design, conducted extensive research on evidence-based STEM curricula, and documented program policies and procedures. She set up procedures to ensure child safety, including volunteer finger printing and background security checks. Along with HCAP's IT Manager, Ms. [REDACTED] oversaw the set up and networking of the computers, smart board, and other equipment at the site. She and other staff also furnished, decorated, and otherwise prepared the physical environment for the program opening. She began outreach and recruitment for program volunteers, interviewed and hired the program teacher, and registered two (2) program teams to compete in the Jr. FIRST LEGO League and FIRST LEGO League robotics competitions, respectively. And, in September 2011, HCAP proudly opened its doors to the first Hā Initiative program site.

Thus, contrary to the draft report's insinuation that the purchases in question were made in a vacuum with no "timeline" for the program to be in operation or for students to receive services, in actuality there was substantial and sustained planning and activity towards opening the program at all phases of the process, including significant demonstrations of agency commitment such as the expenditure of close to one hundred thousand dollars of agency unrestricted funds towards preparation of the first program site.

B.

The draft report is limited in its analysis of the second prong of the test set forth in 2 CFR part 230, Section A.3. to determine the reasonableness of a cost.⁶ The second prong of this test requires consideration of "[t]he restraints or requirements imposed by such factors, as . . . Federal and State laws and regulations, and terms and conditions of the award." The draft report's primary problem with HCAP's purchases is not that the items were not reasonably necessary for the program's operation. It does not argue or dispute that such equipment and furnishings are not related or superfluous to a STEM after school program. Instead, the draft report's primary objection to the purchases is that the after school program was not able to be operational during the CSBG-ARRA program period that ended September 30, 2010. As the draft report states, "[g]iven the grant period, it seemed unlikely that these purchases would be used to benefit the programs." Furthermore, in its second reason as to why the costs were unallowable, the draft report maintains that the costs for the items "were not allocable to the

⁶ It can be argued that the draft report misapplies 2 CFR part 230, Section 3.A., in that it refers on more than one occasion to the "purchase" of the items as not "prudent or reasonable." OIG draft report, pp. ii, 4, & 5. In fact, this section of the CFR refers to determining if a "cost," not a "purchase," is reasonable; under this section, a cost is reasonable "if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs." The draft report's conclusion that the purchase of the items "was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs[.]" does not comport to the actual language and analysis of the regulation it purports to be applying in this situation.

award *because the items provided no benefit to programs funded under the Recovery Act award.*" (Emphasis added.)

HCAP maintains that the second prong of this analysis should focus on the relationship, understanding, and communication between HCAP and the State agency with respect to the Hā Initiative, in general, and the purchase of the items, in particular. Given that the CSBG is a block grant from the federal government to the states, the respective CSBG state agencies are directly responsible for administering and communicating with the program's eligible entities, the community action agencies. As elsewhere in the country, HCAP as a community action agency is a direct grantee of the State; it does not have direct lines of authority or communication with the federal government. The State agency, through its State Plan, determines the scope and program parameters of the CSBG program within the State, subject of course to federal requirements and guidelines.

In Hawaii, the period leading up to and throughout the entire CSBG-ARRA program period was marked by general uncertainty and confusion about program parameters and requirements, and inconsistency in available program guidance and direction -- at *all* levels of the process. For example, although CSBG-ARRA funding was appropriated in approximately April 2009, as late as September 2009, community action agencies nationwide were expressing concern that CSBG-ARRA State Plans had either not been submitted by their states or had not been reviewed and approved by the federal government.⁷ Hawaii shared this situation, not having its CSBG-ARRA State Plan approved by the federal government until Fall 2009. It was not until October 19, 2009, that the State agency executed its first CSBG-ARRA contract with HCAP.⁸

Compounding the delayed start of the program was the loss of key State agency staff with CSBG and other federal program experience. First, in November 2009, due to budget cuts, the State agency released a program supervisor with seventeen years' experience in both programmatic and fiscal matters; this employee had also served as the State agency's chief fiscal officer for five (5) years and possessed considerable expertise and knowledge about CSBG fiscal policies and procedures. In December 2009, the State agency's CSBG Program Administrator, who had prepared the CSBG-ARRA State Plan and had been responsible for the program since the beginning, also left the State agency. Her duties were assumed by Mr. [REDACTED] a long-time State agency employee who, despite his years of government service, had no direct experience with CSBG program administration. Three months later, in March 2010, the State agency's Executive Director left his position as well. Mr. [REDACTED] was subsequently named the State agency's Acting Executive Director but retained primary responsibilities for the CSBG and CSBG-ARRA programs. Finally, in June 2010, the State agency hired a permanent replacement for the CSBG Program Administrator position; unfortunately, this individual also lacked any experience or working knowledge of either the CSBG or ARRA programs.

⁷ This was the sentiment expressed by community action agency representatives present at the Annual Convention of the Community Action Partnership in Philadelphia, Pennsylvania, held in early September 2009.

⁸ Thus, from a contemplated seventeen month long program period, the time of the initial contract to the end of the program year was reduced to eleven months simply due to delays at the federal and state levels. The actual programming period was later shortened to roughly seven months as HCAP, with the concurrence of the State agency, amended its CSBG-ARRA plan to account for changed circumstances from the period of the original program design. See fn. 10, *infra*.

For most of the period in question, the State agency was operating with a staff shortage, with those remaining being relatively inexperienced and overburdened with the dramatically increased workload associated with ARRA funding.⁹ The State agency obviously was challenged in attempting to keep abreast of new policies, procedures, and directives that seemed to be both issued and changed almost continually. Needless to say, throughout this period, the State agency was limited in its ability to provide clear and consistent guidance, direction, and sometimes even basic information, about ARRA requirements, to HCAP and the other Hawaii community action agencies. Nevertheless, HCAP believes that all parties, including the State agency, performed as best as they could under the circumstances they faced at the time.

In addition to being partly responsible for the inception of the Hā Initiative, the State agency worked and communicated closely with HCAP throughout the program planning and implementation phases. As previously described, the State agency approved the STEM after school program as part of HCAP's overall CSBG-ARRA plan at the February 24th meeting held at HCAP.¹⁰ The State agency's acceptance was memorialized in the March 31, 2010 Supplemental Agreement No. 1 between the State agency and HCAP that included a budget line item of \$525,000.00 for "Science Technology Engineering & Math Program (Multiple Sites)." Per representations from State agency officials at the time, the State agency received prior approval from the Department of Health and Human Services, Office of Community Services, for HCAP's proposed revised CSBG-ARRA program plan before execution of Supplemental Agreement No. 1.

The draft report is critical of the State agency's oversight with respect to HCAP's purchases of the STEM items, stating that the "State agency did not verify that HCAP needed the items at the time of the purchase." The fact is that the State agency knew exactly the status of the program at every step of the process. First, the draft report admits that the State agency "approved HCAP's purchase of equipment, furniture, and supplies after HCAP provided a written justification of how the items would be used in its five STEM programs." HCAP provided this written justification dated September 29, 2010 at the State agency's specific request. The State agency made this request after directing HCAP to list its contemplated expenditures for the STEM program in the Equipment cost category for an amended budget in a Second Supplemental Agreement. Furthermore, in this memorandum, which was provided to the OIG, HCAP reminded the State agency's Acting Executive Director, "As you are well aware, HCAP has continually kept OCS informed of our Creative STEM program, including our plans to purchase the necessary equipment for five (5) separate STEM sites, to be located geographically across Oahu."

⁹ During 2010, the State Office of Community Services also was the lead State agency for U.S. Department of Energy stimulus funding for the Weatherization Assistance Program. It was also a partner agency for stimulus funding for the Energy Efficiency and Conservation Block Grant. Severely understaffed during this period, State agency staff understandably appeared overwhelmed by these complicated new programs and often criticized, perhaps unfairly, for their administration of the ARRA programs during this time period. In retrospect, the State agency's oversight responsibilities for ARRA programming was not only significant in magnitude, but made much more difficult by uncertainty and delay at the federal level as well.

¹⁰ Because of the delay in the approval of the Hawaii CSBG-ARRA State Plan, conditions had changed significantly since the State Plan draft (that included HCAP's original plan) had been put together. HCAP's new Executive Management Team, who were not involved in developing the original plan, felt it necessary to update and revise its CSBG-ARRA plan and present it to the State agency for approval, which it did at the February 24th 2010 meeting.

Moreover, the State agency was aware of the delayed status of the program given that it played a part in the delay through its last minute reversal in late July 2010 of its approval to renovate and repair the St. Elizabeth's site with CSBG-ARRA funding. And finally, not only did the State agency approve the purchases, implying that HCAP appropriately communicated with them beforehand, the State agency intervened and assisted HCAP with the purchase process. The Acting Executive Director participated in a conference call with a prospective vendor to provide assurance that funding indeed was available to HCAP through a contractual agreement with the State agency. Thus, from the foregoing, the draft report's implication that the State agency was not monitoring the situation and failed to "verify that HCAP needed the items at the time of the purchase" is simply incorrect. HCAP contends that the State agency knew the situation in detail, yet proceeded with approving the purchases and even assisting the process, because the State agency believed in the program and took the long view with respect to the benefits of having the program available to the community.

Finally, the draft report indicates that State agency officials told OIG auditors that "based on HCAP's delay in implementing its programs, they should have denied HCAP's request to purchase the items." It is important to note that the State agency officials interviewed as part of the OIG audit were not involved directly or at all in the CSBG-ARRA program. The State agency's current Executive Director was not appointed to the office until January 2011. The current CSBG Program Administrator was employed at the State agency during the CSBG-ARRA programming period, but he was not directly involved with the CSBG-ARRA program. He only assumed the CSBG Program Administrator position sometime in late Spring or early Summer 2011.

To HCAP's knowledge, OIG auditors did not interview any former State agency personnel who were directly involved with the program at the time. Such individuals may have provided more direct, relevant, and accurate first-hand knowledge and insight of the circumstances involving the State's and HCAP's CSBG-ARRA programs, the State agency's role in the development of the Hā Initiative, and the thinking, rationale, and other factors that factored into their support of the program and their decision to approve the item purchases at hand.

C.

HCAP disagrees strongly with the draft report's finding that "HCAP officials did not act with prudence when purchasing the items, considering their responsibilities to their clients, the public at large, and the Federal Government."

First and foremost, HCAP takes its responsibility to its clients seriously and takes umbrage with the draft report's insinuation that it was not acting in their best interests. Our agency's mission is P.O.I.: Providing Opportunities and Inspiration to enable low-income individuals or families to achieve self-reliance. HCAP prides itself on being mission-driven and client-focused. We at HCAP firmly believe that the Hā Initiative is the type of program that the CSBG Act envision and supports to fulfill its goals of reducing poverty, revitalizing low-income communities, and empowering low-income families and individuals to become fully self-sufficient. HCAP's

intention from the program's inception to this day has been to provide Oahu's low-income communities on Oahu with state-of-the-art STEM after school programs. Through this programming, we seek to foster an interest and enthusiasm for these fields, improve academic performance and self-worth among participants, and in the end, positively change the trajectory of young people's lives. HCAP makes no apologies for its vision, desire, and work to bring these opportunities to our needy communities.

We also take exception to the contention that HCAP acted imprudently in purchasing the equipment, especially given the fact that HCAP sought and received the approval of the item purchases from the State agency in charge of the CSBG and CSBG-ARRA programs. The record shows that HCAP acted transparently and responsibly, not only with respect to the purchases in question, but overall in bringing the program to fruition despite obstacles and challenges. HCAP kept the State agency apprised of the status of the program, from the initial briefing in February 2010, to the equipment/furniture/supplies purchase in August/September 2010, to the actual program opening in September 2011. Although admittedly we would have wanted to start the program earlier than we did, at the same time we were careful to take the requisite time to ensure that the program with which we end up is the best we could offer. The narrative in this response shows careful planning and measured action on HCAP's part involving preparing facilities, developing curriculum, hiring staff, drafting policies and procedures, conducting community outreach, and recruiting partners, to name a few.

HCAP also disagrees that it was not responsible to the Federal government in this instance. As mentioned previously, we believe the Hā Initiative is in line with the federal CSBG's directive to address the causes and conditions of poverty at the local level. Furthermore, there is no indication in the draft report that HCAP spent funds for improper purposes or that purchased items are being irresponsibly utilized. In fact, the equipment, furniture, and supplies deployed to the St. Elizabeth's site at Kalihi-Palama site are now being actively utilized by program participants.¹¹ The remaining items awaiting deployment are stored in secure locked rooms in HCAP's administrative offices, with access limited to four specified staff. HCAP's practice calls for the equipment and furniture to be tagged when they are ultimately deployed to the program sites.

In the end, as the saying goes, "the proof is in the pudding." The program has been operational since September 2011 at the first program site. It is attracting more participants, community volunteers, and prospective community partners. As shown in the last section below, the Hā Initiative is showing great promise, and HCAP remains committed to ensuring the growth and success of the program.

¹¹ These are the items the draft report states "were installed and remain unused in a locked community center[.]" The draft report did not take the time to describe in detail this "community center" that the OIG auditors inspected during their fieldwork. If it did, it might have described a fully refurbished, furnished, equipped, decorated, carpeted, and secured facility ready to welcome its first youth participants. As it was, the draft report essentially mischaracterizes the community center simply as a storage facility.

II.

Current Program Status and Moving Forward

Since opening in 2011, the Hā Initiative: Creative STEM After School Program has grown to include 62 registered participants at its Kalihi-Palama site. The program is staffed by a full-time program manager, part-time teacher and 18 adult mentor and/or junior leader volunteers who help the children improve their academic skills, increase self-confidence and seek solutions to community challenges. In April 2012, 31 active participants attended the Kalihi program. An additional 38 children and 5 volunteers have registered for the second program site in Waianae.

The Hā Initiative is open every weekday from 2:30 to 5:30 pm, and Wednesdays from 1:30 to 5:30 pm (to accommodate the early release schedule from school). The teacher plans each day's lessons and activities, and the participants rotate through the following "blocks," with flexibility for special projects, guest speakers, and field trips:

- **Snack:** The program provides a healthy, nutritious snack.
- **Homework Block:** The children do homework, complete math worksheets or read with the help of adult and high school volunteers. They are encouraged to ask for help and to help their peers with their assignments (reinforcing their knowledge of the subjects).
- **Independent Activity:** Participants choose from educational computer games, visual and digital arts, music and recording studio, video production, reading, or spending time with volunteers and peers. This block offers the kids a level of freedom and encourages self-efficacy and exploration of individual interests.
- **Lab block:** With instruction by the teacher, participants engage in fun, hands-on projects tailored to each age group. The lab block uses the following curricula, which are research-based, field-tested, and used by after school programs and school districts throughout the United States:
 - *Full Option Science System (FOSS):* Science program for K-8 developed by the Lawrence Hall of Science, University of California at Berkeley, with the support of the National Science Foundation.
 - *AfterSchool KidzScience:* A series of kits designed for Grades 3-5, from The Lawrence Hall of Science in collaboration with Developmental Studies Center.
 - *Afterschool Explorations in Science (AXIS):* A science discovery program for Grades 4-8, developed by the Intercultural Center for Research in Education with a grant from the National Science Foundation.

Beyond helping them develop their math and science skills, the program encourages participants to think critically about issues affecting their families and communities. The teacher integrates the host culture of Hawaii and the Pacific Islands into topics such as local plants and sea life,

food sustainability, and alternative energy solutions. The kids also participate in the FIRST LEGO League robotics tournaments, where they research a community issue, create a presentation, and design a robot to navigate a series of missions. In 2011, they developed a Smartphone App to identify and prevent the spread of radiated food in the aftermath of the Japan earthquake.

The Independent Activity Block gives the kids an opportunity for self-expression and exploring their individual interests. Each participant chooses a project using the program's computer and recording equipment and software. One group of kids created original video games using Google Sketch-Up, Adobe Photoshop, Milkshape 3D and Unreal Ed. Others used Garage Band and audio recording equipment to create original music, learning the basics of production and the science of sound. Another group created their own short film using video recording equipment and iMovie software. Digital learning also enhances the participants' ability to connect with others outside of their community. When the program opens its second site in Waianae, an estimated 100 participants will connect via SmartBoard and videoconferencing technology. By linking kids from various backgrounds into one virtual learning community, the program will facilitate an exchange of ideas as they share their vision for their respective communities.

HCAP has built on its 46 years of community advocacy and partnership development to support and promote the Hā Initiative. Active partners include Farrington High School, Mayor Wright Homes, St. Elizabeth's Episcopal Church, Kalihi Interagency Community, EAH Housing, Kalakaua Middle School, Bank of Hawaii, Keawe Adventures, and Hawaii Pacific University. The Hā Initiative is also part of the HUD-funded Na Hokulele Project, which seeks to introduce digital storytelling to program participants and other area youth, as well.

Looking ahead, the Kalihi-Palama site has several events planned for the summer, in addition to its regular program activities. The children will visit the Bishop Museum and the Ho'oulu Aina Nature Preserve, volunteers will be honored at a Volunteer Appreciation Lunch, and the program will host its second Open House for parents and community members.

Also this summer, the program will open its second site in Waianae. The Hā Initiative program manager and CSBG staff have been actively recruiting youth and volunteers and currently have 38 participants and 5 volunteers registered for the program. On May 31, 2012, interviews will be held with the three final candidates for the Waianae teacher position. Computer and recording studio equipment is installed and networked, and additional furnishings have been ordered and will be installed. HCAP anticipates that the physical space will be set-up and ready for use in June 2012, in time for summer vacation programming.

HCAP is targeting to open a third site in late 2012 at its Central District Service Center, which is adjacent to the Puuwai Momi public housing complex. The sole delaying factor in opening the Hā site at that location is that the State building's roof leaks and therefore requires significant repair and maintenance before HCAP can responsibly begin after school services there. HCAP is actively exploring potential partnerships with the local Roofer's Union and the U.S. Army Corps of Engineers to assess and fix the roof. It is noted that the repair work to this roof was

originally reviewed and approved to be conducted by the State agency, but was a part of the last minute decision reversal mentioned earlier. HCAP is also still actively scouting potential locations in the Leahi and Windward districts of Oahu, with a viable potential lead to use City and County of Honolulu Community Recreation Centers in both communities.

Respectfully Submitted,

HONOLULU COMMUNITY ACTION
PROGRAM, INC.
A Hawaii Non-Profit Corporation

/Robert N.E. Piper/

Robert N.E. Piper, Esq., MBA
Executive Director

APPENDIX D: STATE AGENCY COMMENTS

NEIL ABERCROMBIE
GOVERNOR



DWIGHT TAKAMINE
DIRECTOR

AUDREY HIDANO
DEPUTY DIRECTOR

MILA KAAHANUI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
OFFICE OF COMMUNITY SERVICES
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November 20, 2012

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

Re: OIG Report No. A-109-11-01007, Community Services Block Grant
American Recovery and Reinvestment Act of 2009

Dear Ms. Ahlstrand:

Please find enclosed the response of the Hawaii State Department of Labor and Industrial Relations, Office of Community Services (DLIR-OCS), to your audit team's draft report dated October 22, 2012, entitled "Hawaii Claimed Unallowable Community Services Block Grant Costs for Honolulu Community Action Program, Inc.'s Expenditures Under the Recovery Act."

Thank you very much in advance for your anticipated consideration of our response.

Sincerely,


MILA KAAHANUI, MSW
Executive Director

Enclosures

RESPONSE OF HAWAII OFFICE OF COMMUNITY SERVICES TO
 OIG Draft Report No. A-109-11-01007, dated October 22, 2012,
 “Hawaii Claimed Unallowable Community Services Block Grant Costs for Honolulu Community Action
 Program, Inc.’s Expenditures Under the Recovery Act”

I. INTRODUCTION AND SUMMARY

The Hawaii Office of Community Services, which is administratively attached to the Hawaii Department of Labor and Industrial Relations (DLIR-OCS), is the State Agency that has administered federal funds granted to Hawaii, for Federal Fiscal Years 2009 and 2010, which is from October 1, 2008 to September 30, 2010, pursuant to the Community Services Block Grant portion of the American Recovery and Reinvestment Act (CSBG-ARRA). The Office of the Inspector General (OIG) for the Department of Health and Human Services (DHHS) has concluded, after an audit, that DLIR-OCS should reimburse to the federal government the sum of \$513,649 that had been sub-awarded by DLIR-OCS on September 29, 2010, to the Honolulu Community Action Agency (HCAP) for computers, multimedia equipment, furniture and supplies for a “Creative Science Technology Engineering and Mathematics” (STEM) interactive program for teenage youth in the City and County of Honolulu.

In its October 22, 2012 draft report letter to DLIR-OCS, OIG proposes to recommend to the federal Office of Community Services in the Administration for Children and Families (ACF-OCS) of DHHS that DLIR-OCS should be required to make reimbursement of the full \$513,649 to the federal government. OIG sets out essentially three reasons for this recommendation. As to each reason, which we paraphrase below, DLIR-OCS provides a brief summary response, which we elaborate after the summary:

1. **OIG Finding:** The purchase was not prudent or reasonable given the circumstances prevailing at the time the decision was made to incur the costs, because the purchases were made in August and September 2010, only two months before the end of the grant period without HCAP having a timeline for when the STEM programs would be in operation or services would be provided to the students. Given the imminent expiration date of the grant period, it seemed unlikely that these purchases would be used to benefit the programs under ARRA.

On page 10 of the draft report, OIG states: “the items were not needed at the time of purchase and did not provide a benefit under the Recovery Act award.” Similarly, on pages 10 and 11, OIG states, “CSBG services funded by the Recovery Act were to be provided on or before September 30, 2010” and “even if a timeline had existed, the items purchased provided no benefit to programs funded under the Recovery Act award” presumably because those programs, *per se*, ceased as of September 30, 2010.

DLIR-OCS Response: OIG’s finding is based on a strict analysis of what should be allowable with respect to equipment purchases under ARRA. OIG apparently has the very strict view that the purchase of any equipment whose reasonable life-span would extend beyond September 30, 2010 would be disallowed in whole or in part. OIG’s apparently narrow interpretation limits the scope and purpose of the ARRA in a manner contrary to ARRA’s intent.

2. **OIG Finding:** The costs were not allocable to the award because the items provided no benefit to programs funded under the ARRA award. As of July 7, 2011, almost ten months after the expiration of the grant period, none of the STEM programs was yet operational and none of the equipment was in use.

DLIR-OCS Response: While OIG’s finding is indeed narrowly true as of that date, two of the anticipated five STEM program sites are now fully operational. It is apparent from OIG’s second reason that OIG recognizes that operation of programs, using equipment and other

goods purchased with ARRA funds, after the ARRA closure date of September 30, 2010 is an entirely reasonable and proper use of ARRA funds. OIG consistently refers to “ARRA” as the “Recovery Act”; however, such a reference ignores the reinvestment component of the “American Recovery **and Reinvestment** Act.” Thus, by its very name, ARRA anticipates that investments in equipment and other capital goods can be in use well beyond September 30, 2010.

3. **OIG Finding:** Although not identified as a specifically numbered item (3), OIG states that DLIR-OCS did not have adequate monitoring procedures in place in late 2010. Thus, OIG further states in its October 22, 2012 letter at page 9, that DLIR-OCS “did not verify that HCAP needed the items in place at the time of the purchase. State agency officials told us that, based on HCAP’s delay in implementing its programs, they should have denied HCAP’s request to purchase the items.”

DLIR-OCS Response: As DLIR-OCS will detail below:

- a. DLIR-OCS had indeed set a high bar for HCAP’s justification for the purchase;
- b. DLIR-OCS justifiably and reasonably relied on HCAP’s firm and clear written representations that it had (1) already identified five sites, all except one (for which a use agreement has been in place) of which are on HCAP property, as locations for STEM program operations, (2) that HCAP’s Board of Directors had expressed enthusiastic support for the program operations in the post-ARRA grant period, and (3) that HCAP was ready to commit funds from already existing sources other than CSBG-ARRA for the future to operate the STEM program into the future; and
- c. Two of HCAP’s five program sites are already fully operational; a third site would also be operational but for an unrepaired roof at one of HCAP’s district centers. (For reasons detailed below, DLIR-OCS does not know why HCAP now claims that it is searching for two additional sites, despite having represented to DLIR-OCS in September 2010 that the last two sites would be at specifically identified, existing HCAP facilities.)

Thus, it would be unfair and punitive to the communities involved for DLIR-OCS and, through us, HCAP to be required to reimburse the federal government for equipment that is, or should soon be, in use for its intended purposes.

On the basis of the foregoing summary responses, which are detailed and documented below, DLIR-OCS respectfully disagrees with OIG’s findings and proposed recommendations. DLIR-OCS believes that the mitigating circumstances discussed in this letter must be considered.

DLIR-OCS Proposal: Because of those mitigating circumstances, including the uncertainties and confusion that surrounded the administration of CSBG-ARRA programs and funds, DLIR-OCS hereby proposes that HCAP should be given an additional period of approximately seven months – to June 30, 2013, in which to make the remaining three of its local STEM programs fully operational. Furthermore, HCAP would be obliged to provide credible assurances that it will continue to operate the STEM programs at each of the sites for a substantial period of time into the future. DLIR-OCS proposes that, considering each of the five sites separately, if HCAP fully complies with these proposed requirements, OIG would withdraw its recommendation and allow the entire sum of \$513,649 to remain with the DLIR-OCS and HCAP, if HCAP has all five sites online as of June 30, 2013, and makes adequate assurances for future funding. If HCAP fails to put one or more of the remaining three local STEM program sites on-line by that date, and/or if HCAP fails to provide adequate assurances of continued funding for such sites, then we believe it is fair and reasonable to

require reimbursement to the federal government of one-fifth of the total purchase costs – approximately \$102,729 – for each of the three program sites at which HCAP fails to start as of June 30, 2013, and/or fails to provide adequate assurances of future funding.

II. TIMELINE AND ANALYSIS OF SIGNIFICANT EVENTS

DLIR-OCS asks that OIG review the timeline of events from our perspective, as follows:

The initial CSBG-ARRA contract for HCAP was executed and effective as of October 19, 2009. A copy of the budget provisions of that initial contract is Exhibit A hereto. Supplemental contracts with approved budget revisions were executed March 22, 2010, and then again September 29, 2010. Exhibits B and I hereto are the budget provisions of those supplemental contracts, respectively.

DLIR-OCS believes HCAP's assertion that "the State agency was delayed in executing its first CSBG Recovery Act contract with HCAP,"¹ while true, is immaterial. The first contract was executed in October 2009, nearly a full year before the equipment was purchased. This implementation window posed no major barrier to any other CAA. Rather, HCAP is not recognizing its own role in the delay of the equipment purchase.

Although the primary contract was executed in October 2009, the equipment purchases did not appear as part of HCAP's contract documentation until the second supplemental contract executed September 29, 2010. Prior to this last contract being executed, DLIR-OCS had disallowed a previous budgetary item listed as "Repair & Maintenance" ("R&M"), of which some proposed items were unallowable construction costs. This initial ruling by DLIR-OCS to disallow construction costs was not acceptable to HCAP, although the federal guidance was clear on this issue. Even though DLIR-OCS had disallowed HCAP's proposal for R&M, and even though DLIR-OCS considered the matter to be clear-cut, DLIR-OCS supported HCAP's wishes to receive a direct ruling from ACF-OCS on the allowability of the construction costs. Accordingly, the issue was submitted to ACF-OCS and it was not resolved until August 3, 2010.

On August 3, 2010, an important meeting was held between DLIR-OCS, represented by [REDACTED], the Acting Executive Director, and several officers of HCAP, including [REDACTED], who was and remains HCAP's Executive Director. This meeting was to discuss the questioned costs in CSBG-ARRA: Mr. [REDACTED] reiterated the belief of DLIR-OCS that the federal government would not allow expenditures of funds for certain repairs, such as the roofing repairs for HCAP's central district office in Aiea, because they were capital costs. HCAP reiterated its disagreement. The participants in the meeting then made a telephone conference call during this meeting to the ACF-OCS Program Specialist in Region IX to discuss this issue of allowability. The Program Specialist confirmed the opinion of DLIR-OCS that the roofing repairs were not allowable expenditures under CSBG-ARRA.

On September 10, 2010, the DLIR-OCS Acting Executive Director, Mr. [REDACTED], wrote a letter to the HCAP Executive Director, Mr. [REDACTED], memorializing the August 3 meeting. A copy of that letter is attached as Exhibit D. In referring to the telephone call placed during that meeting, Mr. [REDACTED] that the ACF-OCS Region IX Program Specialist "specifically told us that these costs are unallowable." Mr. [REDACTED] also stated that there was insufficient time to get a waiver, given that the deadline for encumbering expenditures under CSBG-ARRA was coming up on September 30, 2010.

In the September 10, 2010 letter, Mr. [REDACTED] further recounted that, "in [1] the original approved State of Hawaii CSBG ARRA State Plan for Federal Fiscal Years 2009-2010, [in 2] HCAP CSBG ARRA Program Plan Revised May 19, 2009, and [3] latest HCAP CSBG ARRA Amended Plan Table received

¹ See OIG's draft report dated October 22, 2012, at page 11, and Appendix C thereto, HCAP's undated response of early 2012, at pages 10-11.

from HCAP a few days before [April 16, 2010] and submitted to Dr. [REDACTED] [of ACF-OCS] in a letter dated April 16, 2010, there is no mention of R&M or CIPs. . . . There was also no mention in the Amended Plan Tables of the STEM Program for Youth.” The HCAP letter of April 16, 2010, to Dr. [REDACTED] of ACF-OCS, and its attached justification tables, are collectively attached as Exhibit C hereto.

Mr. [REDACTED] also stated in the September 10, 2010 letter that, “In the meeting on March 24, 2010 at HCAP which I attended, [t]here was also no mention of R&M, nor CIPs as part of the STEM project. If there had been mention of R&M and/or CIPs, this would have raised a red flag at DLIR-OCS and DHHS-ACF at time of plan review. No red flags were raised.”

Mr. [REDACTED] further stated in that letter of September 10, 2010, “DLIR-OCS concurs that it has been a challenge to implement CSBG-ARRA with its stricter enforcement of rules and one-year time frame. In all fairness, DLIR-OCS back in November 2009 at time of contract negotiation should have required a detailed explanation of the R&M budget line item to ensure that it would comply with the stricter interpretation of the rules by the federal government. In the future, DLIR-OCS will work with the four Community Action Agencies and DHHS-ACF to prevent or at least minimize this obstacle from happening again.”

Delay in implementation was not entirely caused, as HCAP’s statement above suggests, by delay in contract execution, but by HCAP’s original attempt to use CSBG-ARRA funds for construction purposes, which was clearly unallowable. HCAP’s persistence in insisting on an incorrect interpretation of allowable uses of funds under CSBG-ARRA thus consumed an entire year before it was resolved. This delay was the primary reason that HCAP’s proposal for \$513,649 was not submitted until just before the deadline for encumbering CSBG-ARRA funds, September 30, 2010. Thus, as borne out by the budgets in each supplemental contract, expenditures for the equipment were not officially included in any ARRA implementation budget until September 29, 2010. The initial and supplemental budget attachments to each above-mentioned contract are attached as Exhibits A, B and E hereto, respectively.

In the early morning of September 29, 2010, [REDACTED] of DLIR-OCS sent an e-mail (Exhibit E hereto) to [REDACTED], the program development officer of HCAP, stating, *inter alia*:

“As discussed on Monday, September 27th, you agreed to send me a justification for expending \$528,000 CSBG ARRA funds on various equipment. The justification was to minimally include but not be limited to: 1) number of computers and other equipment to be purchased, 2) sites where the computers and equipment will be situated, 3) ensure that the computers will be used by CSBG clientele and that the program will be continuing, and 4) how the computers/ equipment will be used to serve the intended clientele. We also talked about that [*sic*] you may want to include a brief plan or curricula on how HCAP plans to use the purchases.” (Underscoring added.)

Later on that same morning of September 29, 2010, [REDACTED] of HCAP sent a reply e-mail to Mr. [REDACTED] of DLIR-OCS (copy attached as Exhibit F). In the e-mail, HCAP referred to two justification documents that it had prepared for the STEM program. The first is in memo form from [REDACTED] of HCAP to [REDACTED] of DLIR-OCS. A copy is attached as Exhibit G. This two-page document specifically identifies the five sites that HCAP planned to use for housing the STEM program:

“As you are well aware, HCAP has continually kept OCS informed of our Creative STEM program, including our plans to purchase the necessary equipment for five (5) separate STEM sites, to be located geographically across Oahu, in conjunction with and with oversight by HCAP’s five district centers. HCAP currently plans to operate Creative STEM programs at: Kalihi-Palama [St. Elizabeth’s Episcopal Church social

hall]; HCAP's Central District Center at Makalapa Community Center [near Aloha Stadium in Aiea]; HCAP's Leeward District Center in Waianae; HCAP's Windward District Center in Kahaluu; and HCAP's Leahi District Center in Palolo Valley. It is at these sites that the STEM equipment and classroom furniture will be housed and utilized in safe and secure facilities."

With respect to timeline issues, this report states, in its concluding paragraph, that HCAP intends to launch the STEM program and use other sources of funding to keep it operational and growing:

"Finally, HCAP's Board of Directors has approved and enthusiastically supports the HCAP Creative STEM initiative and has indicated its support for the agency to sustain and grow the program operations through existing funding avenues available through federal, state, county, and private sources."

That last paragraph was intended to, and did indeed, cause DLIR-OCS to expect that HCAP was going to follow through with launching the STEM program at all five of the sites that it had specifically identified and that it would use regular, non-ARRA CSBG funds, and ample other funding, to operate the STEM program. It must be emphasized that, except for the St. Elizabeth's site, for which HCAP has already secured a use agreement, the four remaining sites are at HCAP District Centers, under HCAP's ownership and control.

The second justification document is an undated three-page description, evidently created in June 2010, of the program in more detail. A copy of that second justification document is attached as Exhibit H. It is on HCAP letterhead and is entitled "Science, Technology, Engineering and Math (STEM) Initiative." It projects two staff for the project: a full-time Program Manager and a part-time Teacher, and it states that it would use community members as volunteers, with young adults as Junior Leaders. Initially, it would serve 30 students in a highly secured space. "In a safe, fun after-school environment, children will work together on project-based, interactive learning activities and received individualized help with their schoolwork. Staff and volunteers will provide support, instruction and mentoring, and create a safe, structured environment."

Further, there is no indication at all in HCAP's justification documents (Exhibits F, G, and H) that there would be any unreasonable delays in getting the STEM program operational at these five specifically identified sites. Although DLIR-OCS was aware at the time of some problems with the condition of the roof at Makalapa, there is no indication that HCAP could not use some of its other resources to get the roof repaired.

On the basis of these firm representations by HCAP, DLIR-OCS consented to HCAP encumbering the \$513,649 for computers, multimedia equipment, furniture and supplies for the five designated after-school STEM programs.² We must emphasize that the absence of a "timeline" among HCAP's documentation – a matter that OIG repeatedly relies on – simply was not a dispositive indication that the STEM program was going to fail, or even be substantially delayed. DLIR-OCS was relying - reasonably – on HCAP's representations about obtaining operational funding from other sources, and on HCAP's very clear and specific identification of four HCAP-owned District Centers as four of the five sites that were to be used for the program. (And the fifth site, not owned by HCAP, has not been a problem.) These were, as DLIR-OCS saw it, far more important indicators that HCAP would likely make the STEM program operational in a timely manner than a specific timeline would have been.

² By September 30, 2010, HCAP had encumbered \$2,390,918 of the \$3,078,814 that HCAP had initially been awarded under its CSBG-ARRA contract in October 2009. HCAP eventually returned to DLIR-OCS, for forwarding to the federal government, the unexpended \$687,896 difference between those two figures.

As of September 30, 2010, the STEM program was not operational at any of the five sites. This was obvious and indisputable – HCAP had just placed the orders for the equipment only one day previously.

OIG staff members visited Hawaii in late June and early July 2011 to audit the CSBG-ARRA program. At that time, as is detailed in the October 22, 2012 draft report, OIG found that none of the equipment, furniture or other supplies were in use. This is also not in dispute. However, DLIR-OCS emphasizes that OIG's substantial focus on this fact on pages 5 - 10 of its draft report shows that OIG is viewing use of the equipment after September 30, 2010, to be entirely relevant to its conclusion that "the cost of these items was not of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the Recovery Act award." (Draft report, page 10.)

Thus, OIG admits, at least implicitly, that use of the equipment after September 30, 2010, is indeed relevant to the bottom-line question of whether the \$513,649 should be returned to the federal government. Moreover, DLIR-OCS emphatically believes that use of equipment purchased by September 20, 2010 for programs in operation after that date is inherently expected in ARRA, because it is indeed not just "the Recovery Act," but "the American Recovery and Reinvestment Act."

And on this point, the observations of OIG's June-July 2011 monitoring visit are now partly overtaken by subsequent events.

On or about September 14, 2011, HCAP started the STEM program operations at its Kalihi-Palama site in St. Elizabeth's Episcopal Church near downtown Honolulu. Since that time, approximately 75 students have been enrolled in the program at any one time (the number varies from time to time) and approximately one-fifth of the computers, multi-media equipment, furniture and supplies are being used at that site for the STEM program.

On or about August 23, 2012, the STEM program was launched at HCAP's District Office in Wai'anae, one of the most impoverished areas on Oahu, and indeed in all of Hawaii. There, too, HCAP reports that it has about 75 students enrolled in the STEM program, and that approximately one-fifth of the equipment, furniture and supplies purchased for the program are being used there.

OIG's October 22, 2012, draft report, on page 10 & n.9, acknowledges the openings of these two Centers. Currently, HCAP reports to DLIR-OCS that it would be ready to launch the STEM program at its Central District Office in Aiea except for the unrepaired roof. HCAP has not explained why it seemingly cannot tap into other funds to repair the roof. Nor has HCAP identified to DLIR-OCS the reasons that it has been unable to start the STEM program at either of the two remaining sites – Kahaluu on the North side of Oahu and Leahi District in the eastern part of Honolulu.

III. FURTHER ANALYSIS OF ISSUES

DLIR-OCS believes that the correct action to take is to refrain from generalizing that all of the \$513,639 in questioned costs is unallowable. DLIR-OCS disagrees with OIG's apparent view that the expenditures should be evaluated strictly and exclusively on the basis of whether HCAP had an adequate plan or timeline for implementation of its STEM program in place at the time of the expenditure.

Instead, DLIR-OCS believes that the adequacy of HCAP's plans needs to be evaluated retrospectively. Indeed, DLIR-OCS believes that, contrary to OIG's stated position, OIG is in fact employing a retrospective analysis. Otherwise, OIG would not have gone to the effort of including an extensive discussion, with multiple photographs, to demonstrate that HCAP had not been using any of the purchased equipment, furniture or supplies as of July 2011. Further, DLIR-OCS firmly believes that it employed adequate monitoring and vetting of HCAP's plans in the critical timeframe of August-September 2010, and any criticism of DLIR-OCS's monitoring arises only because HCAP failed to fulfill

the very clear and explicit promises, predictions and representations that it had made to DLIR-OCS at that time.

OIG intertwines two arguments when it states that the disputed purchase was not “reasonable and prudent” and that “the items were not needed at the time of purchase.” Critical to this analysis is ACF’s CSBG Information Memorandum (IM) 109. In our view, OIG’s interpretation of both the ARRA statutory language and IM 109 are unduly restrictive. As is stated in the ARRA statute, and as IM 109 quotes, the purposes of ARRA include “supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization.” (Underscoring added.) This in itself authorizes at least some level of investment in equipment, as distinguished from services alone.

Thus, DLIR-OCS believes that OIG is incorrect in relying on the statement in IM 109 that “services must be provided on or before September 30, 2010, and liquidated on or before December 29, 2010.” The IM 109 statement is relevant only to services. That statement cannot reasonably be stretched to include “infrastructure investment,” such as an equipment purchase, which is expressly authorized by the ARRA statutory language. Thus, just as a public work capital investment provides benefits that endure well beyond the period of two fiscal years that ARRA encompassed, the same must apply to equipment purchases as well. Therefore, it is entirely improper for OIG to rely on an argument relating to “services” in making its present findings. Such an argument is simply not relevant.

DLIR-OCS believes that OIG implicitly concedes this point when – by argument and multiple photographs – it points to the failure of HCAP to actually be using the equipment, furniture and supplies in July 2011 at the time of OIG’s monitoring visit. OIG seems to be clearly admitting, by negative inference, that, if the equipment, etc., were being actively used in July 2011, OIG would have deemed the purchases to have been “reasonable and prudent” and OIG would not be complaining that “the items were not needed at the time of purchase.”

It is critical to recognize that there was no way for DLIR-OCS, as the program monitor, to accurately predict the course of an implementation plan. Had DLIR-OCS had the benefit of knowing in September 2010 that HCAP would have nothing operational in the STEM program as of mid-2011, DLIR-OCS would have denied the equipment purchase.

As is noted in detail above, DLIR-OCS reviewed the implementation plan and the representations of HCAP as to the seriousness of its commitment to follow through. At the time of the request, in late September 2010, HCAP appeared to have the strong desire and the means to implement the STEM program – it had five sites that were already under its ownership or control – it was not searching the rental market for sites. HCAP had an enthusiastic commitment from its very well-connected Board of Directors to obtain funding from multiple federal, state and local government sources, plus private-sector sources, to start up and “grow the program.” HCAP made all of these representations to DLIR-OCS in writings that are attached as Exhibits to this response.

On the basis of those representations, which DLIR-OCS considered to be entirely credible, DLIR-OCS determined these expenditures were reasonable. We note that no questions have been raised by OIG to the effect that the purchase prices of the items of equipment etc. were unreasonable, or that the equipment was not suited to the STEM program, or that the quantities of the items were unreasonable.

OIG’s sole basis for this criticism is that the purchases were not chronologically connected to a program that was actually in operation using ARRA funds by September 30, 2010. For the reasons noted above, we believe it is clear that such a hard-and-fast test is not reasonable, and that OIG implicitly acknowledges that purchases of equipment whose useful life extends beyond that date are not *ipso facto* improper.

Accordingly, at least as to the two currently operational STEM program sites, DLIR-OCS believes that the questioned expenditure of \$513,649 meets the requirements of the Federal Cost Principles codified at 2 CFR Part 230, Appendix A, §§A.1- A.3, contrary to the opposite conclusions of OIG.

DLIR-OCS is not able to explain why HCAP has been unwilling or unable to incur the roof-repair expenditures at Makalapa (Aiea) or why HCAP evidently represented to OIG's staff at the monitoring visit in June-July 2011 that "HCAP officials did not know when they would open the remaining three programs [sites] because they still needed resources to repair one community center and were looking for space for the other two programs." See OIG draft report of October 22, 2012, on page 9.

As to the roof repair at the Makalapa District Center, we note that HCAP had already known by September 29, 2010 that it could not use CSBG-ARRA funds to repair that roof. Thus, HCAP's representation in the e-mail and other communications on that date, that Makalapa would be one of the sites for the STEM program, indicates that HCAP believed that it did in fact have funding, from other sources, to repair the roof at Makalapa. Accordingly, HCAP should not have been telling OIG in mid-2011 that it lacked funding to repair that roof.

HCAP's representations to DLIR-OCS on September 29, 2010, more than eight months before the July 2011 monitoring visit, as to site availability were clear and in writing: It was planning to use five sites for the STEM program—four at specifically identified HCAP District Centers that were and remain under HCAP's ownership and control, and the fifth at St. Elizabeth's Episcopal Church, where HCAP has had a use agreement. Thus, we find no credible explanation for HCAP to be telling OIG in mid-2011 that it was still searching for two sites.

DLIR-OCS believes that the benefits to the public are the primary and most appropriate measures of the success of the STEM program and thus should be the dispositive factors in determining whether the disputed purchases were "reasonable and prudent" and "needed at the time of purchase." DLIR-OCS therefore believes that the recommendations of OIG do not take into account the current and potential benefits of the program to the affected communities, and are therefore inappropriate.

IV. DLIR-OCS PROPOSED CORRECTIVE ACTION AND SETTLEMENT

For these reasons, DLIR-OCS proposes that HCAP be required to undertake certain alternative corrective actions that will be fair to the taxpayers of the State of Hawaii, the taxpayers of the nation as a whole, and to the client communities that will be affected by the resolution of this matter.

As we have outlined above, DLIR-OCS respectfully proposes that HCAP be given credit for two-fifths of the disputed expenditure for the two STEM program sites that are already operational and that HCAP be given until June 30, 2013, to put the other three sites online. To the extent that the STEM program is not operational as of that date on those three sites (or reasonable alternative sites that HCAP might propose), then the federal government should be reimbursed one-fifth, approximately \$102,729, of the total disputed cost of \$513,649, for each site that is not operational as of that date. As noted above, HCAP would also be required to provide credible assurances that it will continue to operate the STEM program at each of the sites for which it would be given credit under this proposal.

Please let us know whether this request for resolution of this matter as proposed above is acceptable to the Office of Inspector General. Thank you for your consideration.

RESPONSE OF HAWAII OFFICE OF COMMUNITY SERVICES TO
 OIG Draft Report No. A-109-11-01007, dated October 22, 2012,
 "Hawaii Claimed Unallowable Community Services Block Grant Costs for Honolulu
 Community Action Program, Inc.'s Expenditures Under the Recovery Act"

EXHIBIT LIST

- | | | |
|----------|------------------------|---|
| A | 2009 October 19 | Initial CSBG-ARRA contract OCS-ARRA-09-01, between HCAP and DLIR-OCS: budget only |
| B | 2010 March 22 | HCAP's CSBG-ARRA contract OCS-ARRA-09-01, between HCAP and DLIR-OCS, Supplement No. 1: budget only |
| C | 2010 April 16 | HCAP Letter to Dr. [REDACTED], ACF-OCS, requesting favorable ruling on claim that Repair & Maintenance contract items were allowable under CSBG-ARRA |
| D | 2010 Sept 10 | DLIR-OCS letter to HCAP recounting meeting of August 3, 2010, at which ACF-OCS Region IX Program Specialist ruled that Repair & Maintenance contract items were not allowable under CSBG-ARRA |
| E | 2010 Sept 29 | DLIR-OCS ([REDACTED]) e-mail to HCAP ([REDACTED]) re need for detailed written justification for HCAP's STEM program proposal |
| F | 2010 Sept 29 | HCAP ([REDACTED]) e-mail to DLIR-OCS ([REDACTED]) re STEM program proposal |
| G | 2010 Sept 29 | First enclosure to e-mail of Sept 29, 2010, describing 4 sites at HCAP District Centers, and one adjacent to a District Center for STEM program, and enthusiastic support of HCAP's Board of Directors for STEM program and intent to fund it. |
| H | 2010 Sept 29 | Second enclosure to e-mail of Sept 29, 2010, describing STEM program details. |
| I | 2010 Sept 29 | HCAP's CSBG-ARRA contract OCS-ARRA-09-01, between HCAP and DLIR-OCS, Supplement No. 2: budget only |
| I | 2012 Oct 22 | OIG letter to DLIR-OCS with draft report entitled Hawaii Claimed Unallowable CSBG Costs for Honolulu Community Action Program, Inc.'s Expenditure Under the Recovery Act |

CONTRACT I.D. NO.: OCS-ARRA-09-01

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EXHIBIT I

Service Activity Title: Community Services Block Grant Program
American Recovery and Reinvestment Act of 2009

Provider: Honolulu Community Action Program, Inc.

BUDGET

Operating Costs:

Personnel Costs (Salaries).....	\$ 287,571.00
Other Personnel Costs.....	90,729.00
Other Current Expenses.....	2,670,164.00
Equipment.....	<u>17,850.00</u>
TOTAL FEDERAL FUNDS AWARDED	\$3,066,314.00

Personnel Costs:

Executive Director.....(0.02).....	\$ 2,441.00
Director of Community Programs.....(0.03).....	2,643.00
Receptionist.....(0.03).....	1,131.00
Grant Writer/Fund Development Specialist.....(0.02).....	1,049.00
Human Resources Administrator.....(0.02).....	1,834.00
Employee Benefit Specialist.....(0.05).....	3,540.00
Human Resources Assistant.....(0.03).....	1,180.00
Human Resources Assistant.....(0.03).....	1,180.00
Director of Finance/Planning.....(0.03).....	3,540.00
Assistant Director of Finance.....(0.05).....	4,065.00

EXHIBIT A

EXHIBIT I

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Senior Accountant/Grants Manager.....(0.05).....	3,329.00
Accounting Specialist(0.02).....	1,101.00
Accounting Specialist(0.03).....	1,298.00
Payroll Specialist(0.03).....	1,298.00
Accounts Payable Clerk.....(0.12).....	4,879.00
Accounting Assistant(1.00).....	28,968.00
Accounting Secretary.....(0.03).....	1,652.00
IT Manager.....(0.02).....	1,416.00
Senior Community Service Manager (Central)(0.06).....	4,323.00
Employment & Training Coordinator.....(0.77).....	38,508.00
Community Worker(0.06).....	3,130.00
Community Worker(0.06).....	2,294.00
Program Aide.....(1.00).....	28,968.00
Community Service Manager – Leahi(0.06).....	3,224.00
Community Worker(0.06).....	1,738.00
Program Aide.....(1.00).....	28,968.00
Community Service Manager – Kalihi-Palama).....(0.06).....	3,353.00
Community Worker(0.06).....	2,227.00
Community Worker(0.06).....	2,227.00
Program Aide.....(1.00).....	28,968.00
Community Service Manager – Waianae(0.06).....	3,321.00
Community Worker(0.06).....	2,227.00
Community Worker(0.06).....	1,888.00
Program Aide.....(1.00).....	28,968.00
Community Service Manager – Windward(0.06).....	3,273.00
Community Worker(0.06).....	2,227.00
Community Worker(0.06).....	2,227.00
Program Aide.....(1.00).....	<u>28,968.00</u>
TOTAL	\$287,571.00

EXHIBIT I

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Other Personnel Costs:

Payroll Taxes and Assessments:

Social Security	\$ 21,999.00
Unemployment Insurance	8,771.00
Workers' Compensation	4,170.00
Temporary Disability Insurance	4,026.00

Fringe Benefits:

Health Insurance	28,757.00
Retirement	<u>23,006.00</u>

TOTAL \$ 90,729.00 ^

Other Current Expenses:

Audit Services..... \$ 5,000.00

Integrated Training & Employment Program:

- Supportive Services (e.g. tools, uniforms, etc.) – 300 Clients @ \$500/client	150,000.00
- Vocational Skills Training – 100 clients @ \$7,500/client.....	750,000.00
- On-the-Job Training Stipends – 50 clients @ \$800/client for 800 hours of training completed/client.....	40,000.00
- Work-Experience Stipends – 78 clients @ \$500/client for 50 hours of training completed/client.....	39,000.00

Partnerships in Employment Program:

- Intake & Training – 340 clients @ \$1,900/client	646,000.00
- Placement – 150 clients @ \$1,000/client	150,000.00

Transit Access Program:

- Contracted Shuttle-Service for 4 Kalaeloa Homeless Shelters - Approximately 200 clients benefiting/day for 15 months	255,000.00
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Family Childcare Food Program – 300 children @ \$200/child for 15 months 60,000.00

Stabilization & Transitional Program:

- Housing – 500 clients @ \$200 for 1 month.....	300,000.00
- Food – 200 clients @ \$500/household	100,000.00
- Transportation – 500 clients @ \$50/client for 3 months.....	75,000.00
- Energy – 100 households @ \$200/month/household	20,000.00
- Health – 50 clients @ \$500/client	25,000.00

EXHIBIT I

Page 4 of 4

Contractual Services – Program/Administrative Fee.....	2,025.00
Insurance	2,000.00
Membership, Subscription & Professional Activities.....	3,000.00
Mileage Reimbursement	9,693.00
Postage, Freight & Delivery	750.00
Supplies.....	31,346.00
Telecommunications.....	<u>6,350.00</u>
TOTAL	\$2,670,164.00

Equipment:

Computer.....	\$ 14,850.00
Laser Printer.....	<u>3,000.00</u>
TOTAL	\$ 17,850.00

CONTRACT I.D. NO.: OCS-ARRA-09-01

Page 1 of 4

AMENDED EXHIBIT I

Service Activity Title: Community Services Block Grant Program
American Recovery and Reinvestment Act of 2009

Provider: Honolulu Community Action Program, Inc.

B U D G E T

Operating Costs:

Personnel Costs (Salaries).....	\$ 124,396.00 ^u
Other Personnel Costs.....	39,248.00 ^u
Other Current Expenses.....	2,894,420.00 ^u
Equipment.....	<u>8,250.00^u</u>
TOTAL FEDERAL FUNDS AWARDED	\$3,066,314.00^v

Personnel Costs:

Executive Director.....(0.0098).....	\$ 1,197.00
Director of Community Programs.....(0.0147).....	1,145.00
Receptionist.....(0.0130).....	490.00
Grant Writer/Fund Development Specialist.....(0.0087).....	455.00
Human Resources Administrator.....(0.0087).....	795.00
Employee Benefit Specialist.....(0.1124).....	614.00
Human Resources Assistant.....(0.0130).....	511.00
Human Resources Assistant.....(0.0130).....	511.00
Director of Finance/Planning.....(0.0130).....	1,534.00
Assistant Director of Finance.....(0.0217).....	1,762.00

EXHIBIT B

AMENDED EXHIBIT I

Page 2 of 4

Senior Accountant/Grants Manager.....(0.0130).....	865.00
Accounting Specialist(0.0087).....	477.00
Accounting Specialist(0.0130).....	563.00
Payroll Specialist(0.0130).....	563.00
Accounts Payable Clerk.....(0.0520).....	2,114.00
Accounting Assistant(0.6700).....	19,312.00
Accounting Secretary.....(0.0130).....	716.00
IT Manager.....(0.0087).....	614.00
Senior Community Service Manager (Central)(0.0217).....	1,561.00
Employment & Training Coordinator.....(0.2167).....	10,836.00
Community Worker(0.0217).....	1,130.00
Community Worker(0.0217).....	828.00
Community Service Manager – Leahi(0.0217).....	1,164.00
Community Worker(0.0217).....	628.00
Community Service Manager – Kalihi-Palama).....(0.0217).....	1,211.00
Community Worker(0.0217).....	804.00
Community Worker(0.0217).....	804.00
Community Service Manager – Waianae(0.0217).....	1,199.00
Community Worker(0.0217).....	804.00
Community Worker(0.0217).....	682.00
Community Service Manager – Windward(0.0217).....	1,182.00
Community Worker(0.0217).....	804.00
Community Worker(0.0217).....	804.00
Program Manager.....(0.4330).....	33,852.00
Program Aide.....(0.4330).....	12,553.00
Program Aide.....(0.4330).....	<u>19,312.00</u>
TOTAL	\$124,396.00 ✓

AMENDED EXHIBIT I

Page 3 of 4

Other Personnel Costs:

Payroll Taxes and Assessments:

Social Security	\$ 9,516.00
Unemployment Insurance	3,794.00
Workers' Compensation	1,804.00
Temporary Disability Insurance	1,742.00

Fringe Benefits:

Health Insurance	12,440.00
Retirement.....	<u>9,952.00</u>

TOTAL \$ 39,248.00

Other Current Expenses:

Supplies.....	\$ 16,219.00
Postage, Freight & Delivery	550.00
Telephone.....	2,575.00
Mileage Reimbursement.....	4,551.00
Insurance.....	2,000.00
Independent Audit.....	2,000.00
Contractual Services – Program/Administrative	1,485.00
Membership, Subscription & Professional Activities.....	3,000.00
ARRA Programs & Projects – 2,862,040.00:	
Science Technology Engineering & Math Program (Multiple Sites).....	525,000.00
District Center Programs - \$312,500.00	
Emergency Housing Assistance for Working Families	250,000.00
Bus Passes.....	37,500.00
Good Neighbor Fund/Support Services	5,000.00
Emergency Energy Assistance.....	20,000.00
Repair & Maintenance (Program Sites).....	212,000.00
Senior Community Services Employment Program - \$46,500.00	
Food Assistance	45,000.00
Bus Passes.....	1,500.00

AMENDED EXHIBIT I

Page 4 of 4

Youth Services Program - \$110,500.00	
Post-Secondary Education Assistance	62,500.00
Work Experience Training Assistance.....	18,000.00
Bus Passes.....	30,000.00
Kalaeloa Shelter Stabilization Program - \$397,500.00	
Food Assistance	240,000.00
Bus Passes.....	22,500.00
Housing/Shelter Assistance	135,000.00
Feeding Program - \$113,040.00	
Institute for Human Services	56,520.00
River of Life.....	56,520.00
Partnership & Linkages* - \$1,145,000.00	
<i>* HCAP confirmed at a presentation of its revised CSBG ARRA Plan on 2/24/10 to use performance-based contracts incorporating a milestone payment system. HCAP by executing contracts with the agencies listed below assures OCS that these agencies will deliver the agreed to services and expend these funds.</i>	
Hawaii Literacy.....	75,000.00
Catholic Charities of Hawaii.....	375,000.00
Pacific Gateway Center.....	250,000.00
Goodwill Industries of Hawaii, Inc.....	250,000.00
H-5 Hawaii Helping the Hungry Have Hope.....	85,000.00
MedAssist	50,000.00
Hawaii Technology Insstitute	60,000.00
TOTAL	\$2,894,420.00

Equipment:

Computers	\$ 6,750.00
Laser Printer.....	1,500.00
TOTAL	\$ 8,250.00

LINDA LINGLE
GOVERNOR



DARWIN L. D. CHING
DIRECTOR

COLLEEN Y. LaCLAIR
DEPUTY DIRECTOR

STATE OF HAWAII
OFFICE OF COMMUNITY SERVICES
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 420
HONOLULU, HAWAII 96813

April 16, 2010

██████████, Ph.D.
Office of Community Services
Administration for Children and Families
U.S. Department of Health and Human Services
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Dear Dr. ██████████:

Re: Requesting Administration for Children and Families – U.S. Department of Health and Human Services (ACF-DHHS) Approval of Revised Hawaii Community Services Block Grant – American Recovery and Reinvestment Act of 2009 (CSBG-ARRA) Plans

The Hawaii State Office of Community Services (OCS) requests approval to amend two of its CSBG-ARRA Plans: 1) Honolulu Community Action Program, Incorporated and 2) Kauai Economic Opportunity, Incorporated.

Honolulu Community Action Program, Inc. (HCAP)

Since submitting its original CSBG ARRA plan, HCAP has expanded its linkages to include additional partners not originally named in its Recovery Act Projects. In its Partnerships in Employment Program, amended linkages added include Goodwill Industries of Hawaii, Inc., Hawaii Technology Institute, and Med-Assist School of Hawaii. The agency Hilopa'a was dropped from the amended partnership.

Likewise, HCAP found additional partners to collaborate on the Food Assistance Program – The Institute for Human Services and River of Life Mission. A Literacy Program now lists the lead agency as the Hawaii Literacy, Incorporated.

There are no changes to the: Integrated Training & Employment, Transit-Access, and Stabilization & Transitional programs.

Attached are two tables for your perusal: Table 1: Description of Recovery Act Projects and Table 2: Performance Measures (Outputs & Outcomes) by National Goals.

EXHIBIT C

██████████, Ph.D.

April 16, 2010

Page 2

Kauai Economic Opportunity, Inc. (KEO)

KEO services both homeless and transitional homeless clients during the late afternoon and evening hours. During the day, there were little if any available services to assist the homeless or at-risk homeless. KEO completely amended and revised their CSBG-ARRA plan to provide comprehensive case management services during the day giving homeless clients from the homeless shelter or at-risk homeless clients a safe place where they can go, learn and develop new skills, and improve their mental, physical and spiritual well being.

Attached are the KEO amended plan and Exhibit H – contract outputs and outcomes for your review.

We are seeking and eagerly awaiting Federal approval from ACF-DHHS of these amended plans, so that our community action agencies may directly contract with their vendors and proceed with their programs. Thank you for your prompt attention to this matter.

If you have questions or concerns, please call me at (808) 586-8675.

Sincerely,

██████████

Acting Executive Director

c: Enclosures (4)

TABLE 1: Description of Recovery Act Projects

Projects/Programs	Description of Services	Target Groups	ROMA Goals
<p>Integrated Training & Employment Program</p>	<p>Utilizing an integrated approach, HCAP will provide a comprehensive range of employment-support services geared towards assisting individuals in finding jobs. Service components will include, but not be limited to:</p> <ul style="list-style-type: none"> - Needs-Assessment and Service Planning - Job-Readiness Training - Supportive Services (i.e. tools, uniforms, bus-passes, supplies, etc.) - Vocational Skills Training (through Vocational Training Providers) - Tuition-assistance associated with vocational/specialized training - On-the-Job-Training (OJT) through partnerships with job-sites - Work-Experience (WE) through partnerships with work-sites - Job Placement: <ul style="list-style-type: none"> o Direct-placement through services provided by HCAP o Placement through Vocational Training Providers 	<p>Income-eligible unemployed and/or underemployed individuals and families facing economic hardships</p>	<p>(Goals 1 & 2) 1.1A 1.2A 1.2B 1.2C 2.1H1</p>
<p>Partnerships in Employment Program</p>	<p>Collaborating partners will provide employment-readiness and placement assistance for eligible population. HCAP will be collaborating with the following entities to provide expanded training and job-placement services for target groups:</p> <ul style="list-style-type: none"> - Catholic Charities Hawaii - Goodwill Industries of Hawaii, Inc. - Hawaii Technology Institute - Med-Assist School of Hawaii - Pacific Gateway Center 	<p>Low-income and special needs population e.g. youth with disabilities, individuals lacking employable skills and needing job-placement support</p>	<p>(Goals 1, 2 & 6) 1.1A 1.2A 2.1H1 6.1B</p>
<p>Transit-Access Program</p>	<p>In collaboration with H5, HCAP will enhance the provision of transportation services that will benefit at least (4) homeless shelters and their residents. Both emergency and transitional shelters will be targeted to ensure that residents have access to a shuttle transportation link to the main transit</p>	<p>Homeless residents from emergency and transitional shelters in the Kalaeloa area</p>	<p>(Goals 1 & 6) 1.2A 6.2C</p>

TABLE 1: Description of Recovery Act Projects

	<p>center in Kapolei. This program will be critical in aiding shelter residents with:</p> <ul style="list-style-type: none"> - Job-seeking - Commuting to-and-from work (via link to the transit center) - Permanent housing search - Medical and health needs - Accessing other services 		
Stabilization & Transitional Program	<p>HCAP will provide critical emergency and crisis intervention services for qualifying low-income individuals and families. Emphasis will be placed on mitigating emergency circumstances through support services. The initial goal is to stabilize individuals and families with the subsequent goal of assisting them with employment and related services. HCAP will be partnering and collaborating with several entities to expand the provision of services. Emergency/Stabilization services will include, but not be limited to:</p> <ul style="list-style-type: none"> - Housing assistance - Food assistance - Transportation assistance - Energy assistance - Health services - Literacy services 	<p>Income-eligible individuals and families facing economic hardships, loss of income/support, at-risk of facing poverty, homelessness, etc. Preference will be given to families with children</p>	<p>(Goals 1, 2 & 6) 1.2A 2.1H1 6.2A 6.2B 6.2C</p>
Food Assistance Program	<p>Collaborating partners will provide food assistance for eligible population. HCAP will be collaborating with the following partners to provide emergency food assistance for target groups:</p> <ul style="list-style-type: none"> - Institute for Human Services - River of Life Mission 	<p>Homeless & other income eligible individuals and families in need of supplemental meals</p>	<p>(Goal 6) 6.2A 6.2C</p>

TABLE 1: Description of Recovery Act Projects

Literacy Program	Collaborating partner, Hawaii Literacy, Inc., will provide direct literacy assistance services to qualifying low-income individuals. Hawaii Literacy will also train HCAP staff to identify potential clients and increase the pool of certified community volunteer tutors.	Income eligible individuals in need of literacy services	(Goals 2 & 6) 2.1H1 6.2A
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TABLE 2: Performance Measures (Outputs & Outcomes) by National Goals

Projects by National Goals	Outputs	Outcomes	ROMA Goals
JOB-CREATION & PRESERVATION	<ul style="list-style-type: none"> - Intake & Assessments - Supportive Services (i.e. tools, uniforms, bus-passes, supplies, etc.) - Training: <ul style="list-style-type: none"> o Employment-Readiness o Vocational Skills Training through private providers o Tuition-assistance associated with vocational/specialized training o On-the-Job-Training (OJT) in partnership with job-sites o Work-Experience (WE) in partnership with work-sites - Job Placement: <ul style="list-style-type: none"> o Direct-placement through services provided by HCAP o Placement through Vocational Training Providers 	<ul style="list-style-type: none"> ➤ 1,000 client intake ➤ 600 individuals will complete training ➤ 230 individuals will obtain jobs ➤ 20 youth with disabilities will obtain jobs 	(Goals 1 & 2) 1.1A 1.2A 1.2B 1.2C 2.1H1 6.1B
Projects: <ol style="list-style-type: none"> 1. Integrated Training & Employment Program 2. Partnerships in Employment Program 			
SUPPORTIVE SYSTEMS & SERVICES FOR VULNERABLE POPULATION	<ul style="list-style-type: none"> - Transportation (shuttle) services for residents of various Kalaeloa shelters (emergency and transitional) to assist with job-search, access to housing, health and other supportive services - Provision of food to eligible low-income individuals and families - Emergency/Stabilization support-services to vulnerable low-income population, including, but not limited to: <ul style="list-style-type: none"> o Housing assistance o Food assistance o Transportation assistance o Energy assistance 	<ul style="list-style-type: none"> ➤ 200 homeless individuals will access transportation services ➤ 500 individuals/families will receive food assistance ➤ 400 individuals/families will receive housing assistance ➤ 200 individuals will receive transportation, health and/or other supportive services 	(Goals 1 & 6) 1.2A 6.2A 6.2B 6.2C
Projects: <ol style="list-style-type: none"> 1. Transit-Access Program 2. Stabilization & Transitional Program 3. Food Assistance Program 4. Literacy Program 			

TABLE 2: Performance Measures (Outputs & Outcomes) by National Goals

	<ul style="list-style-type: none"> ○ Health services ○ Literacy services 		
PARTNERSHIPS & LINKAGES FOR SERVICE-DELIVERY	<ul style="list-style-type: none"> – Collaborations, partnerships and linkages for: <ul style="list-style-type: none"> ○ Coordination of services, benefit enrollment and program-dissemination ○ Training, job-creation and preservation activities ○ Stabilization and emergency services ○ Innovative community and neighborhood-based initiatives 	<ul style="list-style-type: none"> ➤ 20 active partnerships and linkages will be maintained in support of job-creation, preservation and related support services 	(Goal 4) 4.1

KAUAI ECONOMIC OPPORTUNITY, INCORPORATED
PLAN

Essential Services

KEO proposes to provide client services to identify and resolve those barriers that prevent homeless and at-risk homeless clients to become self-sufficient. The program would provide case management and support services for 150 clients in the program. Hand-holding, motivational coaching, and instruction, with many opportunities to practice new and replaced skills is needed for the client to make a successful transition to self-sufficiency.

Such services include case management, pre-employment services, financial counseling and budgeting, a housing readiness lifeskills training, mental health counseling, transportation, child care subsidy.

Many of our program participants have a poor rental history and past difficulties being successful tenants. The challenge has been to work with our clients to repair tenancy records and poor credit history. We propose to expand our program services by providing a housing readiness education program for our transitional housing program participants.

Comprehensive case management focuses on providing supportive services necessary for each client to rebuild their life through life skills training, job search, and pre-employment counseling, family counseling, and as appropriate to the needs of each client, participation in specific programs such as substance abuse counseling/treatment; anger management; parenting; literacy/GED classes; adult education courses such as computer training; and mental health counseling services. Program participants meet with the Homeless Specialists twice a month to review and discuss each client's Individual Service Plan (ISP), to monitor their progress towards meeting specific goals and objectives, and to identify areas in need of improvement.

KEO will expand its program services to include a housing readiness education program in an effort to reduce barriers to housing. The Program Director and Housing Specialists will conduct a housing readiness education with topics that cover:

- a. Development of an action plan based on identified challenges in the areas of rental history, money management, income, credit and finance, legal problems, or other identified issues.
- b. Development of a workable budget or spending plan. Participants will choose and prioritize goals, review their spending habits and income. They will develop a proposed spending plan that will place them on the road to obtaining housing.

LINDA LINGLE
GOVERNOR



PEARL IMADA IBOSHI
DIRECTOR

COLLEEN Y. LaCLAIR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
OFFICE OF COMMUNITY SERVICES
830 PUNCHBOWL STREET, ROOM 420
HONOLULU, HAWAII 96813
www.hawaii.gov/labor
Phone: (808) 586-8675 / Fax: (808) 586-8685
Email: dilir.ocs@hawaii.gov

September 10, 2010

Mr. [REDACTED], Esq.
Executive Director
Honolulu Community Action Program, Inc.
33 South King Street, Suite 300
Honolulu, Hawaii 96813-4323

Dear Mr. [REDACTED]:

SUBJECT: CONTRACT NUMBER OCS-ARRA-09-01
Community Services Block Grant, American Recovery & Reinvestment Act of 2009

On August 3, 2010, I met with you and your staff to clarify questioned allowable costs. I expressed to you my concerns that the proposed scope of work under the Repair and Maintenance (R&M) line item would not be allowed by the federal government. These items I believed would be considered capital improvements which require a federal waiver. With the short time remaining, a federal waiver could not be approved in time.

The federal authorities have concurred with my concerns and I must inform you that the proposed scope of work is not allowed. The scope of work items from the following four projects listed below posted as Request for Proposals (RFPs) on the Honolulu Community Action Program, Inc. (HCAP) website as of July 26, 2010, qualifies as capital expenditures.

- 1) Repairs, Renovations and Maintenance for the HCAP STEM Program;
- 2) Repairs, Renovations and Maintenance for the HCAP Central District Service Center;
- 3) Repairs, Renovations and Maintenance for the HCAP Leahi District Service Center;
and
- 4) Repairs, Renovations and Maintenance for the HCAP Windward District Service Center

OMB Circular A-122 Revised clearly states, "*Capital expenditures for general purpose equipment, buildings, and land are unallowable direct charges, except where approved in advance by the awarding agency.*" Capital expenditures means expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvement to capital assets that materially increase their value or useful life. Section 678F of the CSBG Act

EXHIBIT D

September 10, 2010

Page 2

prohibits the use of funds for the purchase or improvement of land or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility, without a written waiver of this prohibition by OCS.

R&M costs refer to costs incurred from necessary maintenance, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures. R&M refers to necessary maintenance, repair and upkeep of facilities, buildings and equipment. Possible allowable costs incurred for R&M of facilities and equipment, i.e., janitorial services, painting, plumbing and electrical repairs.

The Region IX Program Specialist from the Department of Health and Human Services -- Administration of Children and Families (DHHS-ACF) federal funding source has made a determination after reviewing HCAP's proposed scope of work that these are capital expenditures. In a phone conference on August 3, 2010 of which we were both a part, the DHHS-ACF program specialist specifically told us that these costs are unallowable.

For capital expenditures to be allowable the State must request a waiver citing extraordinary circumstances to justify construction of facilities (or the making of permanent improvements). Given the short remaining time period of the contract, contract end date of September 30, 2010, lack of extraordinary circumstances, and at least 60 days waiver processing time, it is not feasible to request a waiver.

In the original approved State of Hawaii CSBG ARRA State Plan for Federal Fiscal Years 2009-2010, HCAP CSBG ARRA Program Plan Revised May 19, 2009, and latest HCAP CSBG ARRA Amended Plan Tables received from HCAP a few days before and submitted to Dr. [REDACTED] in a letter dated April 16, 2010, there is no mention of R&M or CIPs. Dr. [REDACTED] added the Amended Plan Tables to the Hawaii State CSBG ARRA plan stating it was an addition that did not require a formal amendment. There was also no mention in the Amended Plan Tables of the STEM program for youth (See attached letter dated April 16, 2010).

In the meeting on March 24, 2010 at HCAP in which I attended, there was also no mention of R&M, nor CIPs as part of the STEM project. If there had been mention of R&M and/or CIPs, this would have raised a red flag at DLIR-OCS and DHHS-ACF at time of plan review. No red flags were raised.

DLIR-OCS concurs that it has been a challenge to implement CSBG-ARRA with its stricter enforcement of rules and one-year time frame. In all fairness, DLIR-OCS back in November 2009 at time of contract negotiation should have required a detailed explanation of the R&M budget line item to ensure that it would comply with the stricter interpretation of the rules by the federal government. In the future, DLIR-OCS will work with the four Community Action Agencies and DHHS-ACF to prevent or at least minimize this obstacle from happening again.

September 10, 2010
Page 3

DLIR-OCS, as the oversight and administrator of these CSBG ARRA funds is responsible for compliance with the requirements of the grant. DLIR-OCS made its decision based on our responsibility to protect the State as a steward of federal monies and HCAP from having to return monies due to unallowable expenditures.

If you have any questions or concerns, please call me 586-8675 or e-mail me at [REDACTED]@hawaii.gov.

Sincerely,

[REDACTED]

Acting Executive Director

Enclosure

c: [REDACTED]

{In Archive} RE: CSBG-ARRA Supplemental 

09/29/2010 08:01 AM

to: [REDACTED]
Cc: [REDACTED]

History: This message has been forwarded.
Archive: This message is being viewed in an archive.

Hi [REDACTED]

If you have already sent in your CSBG ARRA budget justification, please disregard. As of this morning at 7:55 a.m., I have as not yet recived the required justification statement to

process and execute the CSBG ARRA supplement.

As discussed on Monday, September 27th, you agreed to send me a justification for expending \$528,000 CSBG ARRA funds

on various equipment. The justification was to minimally include but not be limited to: 1) number of computers and other equipment to be purchased,

2) sites where the computers and equiopment will be situated, 3) ensure that the computers will be used by CSBG clientele and that the program will be continuing, and

4) how the computers/equipment will be used to seve the intended clientele. We also talked about that you may want to include a brief plan or curricula on how HCAP plans to use the purchases.

I indicated and made it clear that the justification was necessary for the Deputy AG and for the DLIR Director to sign off. Without sufficient documentation, it will be difficult for them to sign the contract.

DLIR-OCS is not saying no to this procurement. We just want to be able to justify the purchase if asked by the Feds. In addition, I have already checked to see if the the Deputy AG will be avaiable this

week to process the supplemental agreement. Please let me know as soon as possible so that I may know how to proceed. Thank you for your prompt attention to this matter.

[REDACTED]
OCS

EXHIBIT E

From: [REDACTED] <[REDACTED]@hcapweb.org>
To: [REDACTED] <[REDACTED]@hawaii.gov>
Cc: [REDACTED] <[REDACTED]@hcapweb.org>, [REDACTED] <[REDACTED]@hcapweb.org>, [REDACTED] <[REDACTED]@hawaii.gov>
Date: 09/29/2010 11:26 AM
Subject: Justification for STEM-related Equipment / CSBG-ARRA Supplemental No. 2

From: [REDACTED] <[REDACTED]@hcapweb.org>
To: [REDACTED] <[REDACTED]@hawaii.gov>
Cc: [REDACTED] <[REDACTED]@hcapweb.org>, [REDACTED] <[REDACTED]@hcapweb.org>, [REDACTED] <[REDACTED]@hawaii.gov>
Date: 09/29/2010 11:26 AM
Subject: Justification for STEM-related Equipment / CSBG-ARRA Supplemental No. 2

[REDACTED]

Attached is the write up you requested regarding the STEM equipment. Please give me a call if you have any questions or if you feel we need to edit further. In a separate email, I will send the attachment to the memo, which is our formal short synopsis of the STEM Initiative.

Another thing to be aware of in this memo. The \$528,500 figure you asked us to justify in your e-mail this morning includes the \$8250 regular agency equipment request (non-STEM related) that OCS had approved as specific line items in Supplemental No. 1. Thus, I focused the justification memorandum on the remaining \$520,000 that constitutes the total amount of STEM-equipment line items. It is a very slight adjustment down from the original \$525,000 STEM line item in Supplemental No. 1, the difference (\$5000) which we incorporated elsewhere in the Supp. 2 amended budget.

Please acknowledge receipt of the memo, and let me know if we need to do anything further.

Regards,

[REDACTED], Esq.

Director of Planning, Program Development and Communications

EXHIBIT F

EXHIBIT G

Memorandum

To: [REDACTED], Ph.D., Acting Executive Director Date: 09/29/10
Office of Community Services – DLIR

From: [REDACTED], Esq., Director of Planning, Program Development &
Communications
Honolulu Community Action Program, Inc.

Subject: CSBG-ARRA Supplemental No. 2 – Justification of Science, Technology,
Engineering & Math (STEM) Program Equipment Line-Item

.....

Pursuant to our telephone conversation of Monday, September 27, 2010, and your email to me this morning, I am responding to OCS-DLIR’s request for justification for \$520,000 in equipment purchases included in HCAP’s line-item budget (Seconded Amended Exhibit I) attached to Supplemental Agreement No. 2 to Agreement OCS-ARRA-09-01, Community Services Block Grant Program (CSBG), American Recovery and Reinvestment Act of 2009 (ARRA).

As you recall, these line items were formally incorporated under a previously-approved line item contained in Supplemental Agreement No. 1 to Agreement OCS-ARRA-09-01. Specifically, in Supplemental Agreement No. 1, Amended Exhibit I, a line item for \$525,000 was included for the Science Technology Engineering & Math Program (STEM) (Multiple Sites). At OCS’s direction during discussions preparing Supplemental Agreement No. 2, HCAP listed its contemplated expenditures for the STEM Program in the Equipment cost category of Second Amended Exhibit “I” under the following subcategories:

Computer Learning Lab Equipment (Multiple sites)	\$ 270,000.00
Multimedia/Recording Studio Equipment (Multiple Sites)	165,000.00
Classroom Furniture and Equipment (Multiple Sites)	85,000.00

To reiterate, the Creative STEM initiative is an after-school program targeted to at-risk elementary and middle school children. The program will be center-based and supported by a high-technology environment. Attached to this memorandum is a synopsis of HCAP’s STEM initiative that describes the program delivery system in more detail, including the purposes of the equipment to promote STEM learning.

As you are well aware, HCAP has continually kept OCS informed of our Creative STEM program, including our plans to purchase the necessary equipment for five (5) separate STEM sites, to be located geographically across Oahu, in conjunction with and with oversight by HCAP’s five district centers. HCAP currently plans to operate Creative STEM programs at: Kalihi-Palama (St.Elizabeth’s Episcopal Church social hall); HCAP’s Central District Center at

EXHIBIT G

Makalapa Community Center; HCAP's Leeward District Center in Waianae; HCAP's Windward District Center in Kahaluu; and HCAP's Leahi District Center in Palolo Valley. It is at these sites that the STEM equipment and classroom furniture will be housed and utilized in safe and secure facilities.

Among the equipment to be purchased includes 140 computers, 5 servers, and 12 printers, which will be divided among the five sites; each site thus will host a 25 to 30-station computer center, equipped with printers, appropriate software, and supporting material. Each classroom site will also be equipped with a SmartBoard, Audio-Visual equipment (including a camcorder, 2 cameras, a projector, and a television screen), and be furnished with an average of 10 computer tables, 25 chairs, and an office desk for a program manager/science instructor. In addition to a classroom and computer lab, each STEM site will also be equipped with a multimedia/recording studio that will include 5 student digital audio workstations and 1 administrative audio workstation, at a cost of roughly \$30,000 per site. The multimedia/recording studio plan for each of the five sites was discussed with and approved by OCS.

HCAP represents that the all the above equipment will be used appropriately in CSBG-related services and programs. In this case, the STEM program is targeted primarily to low-income, at-risk children in low-income communities. In fact, most of the contemplated sites are connected to, or in extremely close proximity to public housing complexes, where children often do not have the opportunity to access and participate in high-quality STEM programs. Further, as described in the program synopsis, HCAP contemplates that during the periods when the STEM sites are not in use by students, HCAP's adult clients may be able to utilize the equipment for job readiness, computer literacy, and life skills training programs that HCAP currently operates. All of HCAP's clientele are CSBG-eligible.

Finally, HCAP's Board of Directors has approved and enthusiastically supports the HCAP Creative STEM initiative and has indicated its support for the agency to sustain and grow the program operations through existing funding avenues available through federal, state, county, and private sources.

Attachment



Honolulu Community Action Program

Science, Technology, Engineering and Math (STEM) Initiative

Overview

HCAP's proposed STEM initiative is an after-school program targeted to at-risk elementary and middle-school children. The program will be center-based and supported by a high-technology environment.

The primary focus of the program will be to improve the math and science skills of participating students by offering a wide-range of STEM-related activities designed to be fun, engaging and informative. Other related benefits will be improved reading skills and literacy, increased interest in academics and STEM-related fields, values development and strengthened community connections. The STEM program will also provide an alternative to drugs and criminal activity to kids who are at high risk for these behaviors.

Program Description

The STEM program will have an initial capacity to serve 30 children. In a safe, fun after-school environment, children will work together on project-based, interactive learning activities and receive individualized help with their schoolwork. Staff and volunteers will provide support, instruction and mentoring. Values such as cooperation, work ethic, respect, and social responsibility will be integrated into the curriculum.

HCAP projects two staff will be required for the project: a full-time **Program Manager** responsible for program development and administration, and a part-time **Teacher** responsible for developing lessons and leading the after-school program. The program will also encourage community members to participate as volunteers. **Community Mentors** will be adults, preferably from the children's community, who support the teacher in discipline, guidance and mentoring of the youth. (Effort will be made to recruit mentors with similar cultural and language backgrounds as the children.) **Junior Leaders** will be high school and/or college students with an interest in STEM who will encourage the children's learning, provide tutoring, and support the teacher in carrying out projects and activities.

The program requires a highly secured space and appropriate equipment to accommodate up to 30 children. Facilities will include: office space, classroom and project areas, storage, a computer lab with Internet access, and additional multi-media capabilities. When not used for the after-school program, District Center staff may use the facilities for trainings of HCAP adult clients in computer skills, job readiness, and English as a Second Language.

Service Delivery

In a safe, fun after-school environment, children will work together on project-based, interactive learning activities and receive individualized help with their schoolwork. Staff and volunteers will provide support, instruction and mentoring, and create a safe, structured environment.

Engaging activities in a supportive setting will facilitate opportunities for success for young people who face significant challenges in their daily lives. Participants will be encouraged to think, learn and grow, both academically and personally.

The program will educate kids about the many ways that STEM topics are present in their daily lives, and encourage their interest in STEM-related activities, educational pursuits and future careers.

DAILY SCHEDULE:

3 to 4 hours. The time will be planned and led by the teacher, with flexibility for special projects, guest speakers, and field trips. Sessions will provide a balance between fun time, homework time, structured time, individual and group activities. A typical day will include:

- **Fun Block:** The incentive, the “hook” to encourage kids to participate. Keeps kids coming back. May be computer games, visual and digital arts, music and recording studio, video production, group activities.
- **Homework Block (1 hour):** Kids will do homework (in any subject), as independent study, with help from volunteers. If finished with their homework, they can read or do a computer learning activity. Children will be asked to bring their tests, homework and school projects to receive assistance and individual tutoring. Gives staff an opportunity to track their progress.
- **Lab Block (1 - 2 hours):** Kids will participate in age-appropriate, fun STEM projects with instruction and demonstrations from the teacher. Projects can range from robotics to astronomy, plants to computer programming. Kids may participate in science and math competitions, within HCAP, on-line, or with other schools and programs in the community.
- **Snack:** Program will include a healthy after-school snack

Projects introduced during the Lab Block will make learning about science, technology, engineering and math more fun, exciting and engaging using “applied learning techniques” as opposed to textbooks.

Community Need

18 percent of children in the United States live in poverty (13 million children).¹ In Hawaii, 35% of young people ages 6 to 11 live below 200% of the Federal Poverty Level.² Many low-income families are not able to provide supervision or learning opportunities for their kids during working hours. Especially in Hawaii, childcare is costly and overburdened public schools are suffering budget cuts and the elimination of many after-school and enrichment programs.

The increasing number of working parents and lack of out-of-school opportunities contribute to low levels of educational achievement, inadequate skill sets, lack of pro-social activities, declines in family and community involvement, all of which are risk factors for children in poverty. Children without positive after-school activities are also at a higher risk for developing alcohol and drug dependence.

Through programs during out-of-school hours, elementary and middle school students can benefit from social interaction, adult mentoring, academic achievement, values development and pro-social skill building. An after-school approach is key to helping low-income children and youth overcome the many barriers they face.

¹ Fass, Sara, Dinan, Kinsey Alden, and Aratani, Yumiko. Child Poverty and Intergenerational Mobility. National Center for Children in Poverty. Columbia University. December 2009.

² U.S. Census Bureau, Census 2000. (Cited in *Hawaii Kids Count: Snapshot of Hawaii's Youth (ages 6-11)*. Center on the Family, University of Hawai'i at Manoa.)

CONTRACT I.D. NO.: OCS-ARRA-09-01

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SECOND AMENDED EXHIBIT I

Service Activity Title: Community Services Block Grant Program
American Recovery and Reinvestment Act of 2009

Provider: Honolulu Community Action Program, Inc.

B U D G E T

PROGRAM AND SERVICES

Operating Costs:

Personnel Costs (Salaries)	\$ 124,396.00
Other Personnel Costs	39,248.00
Other Current Expenses	2,374,420.00
Equipment	<u>528,250.00</u>
TOTAL	\$3,066,314.00

BENEFITS AND ENROLLMENT COORDINATION FUNDS \$ 12,500.00

TOTAL FEDERAL FUNDS AWARDED \$3,078,814.00

EXHIBIT I

SECOND AMENDED EXHIBIT I

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PROGRAM AND SERVICES - \$3,066,314.00

Personnel Costs:

Executive Director	(0.02).....	\$ 1,197.00
Director of Community Programs	(0.03).....	1,145.00
Receptionist	(0.03).....	490.00
Grant Writer/Fund Development Specialist	(0.02).....	455.00
Human Resources Administrator.....	(0.02).....	795.00
Employee Benefit Specialist.....	(0.02).....	614.00
Human Resources Assistant	(0.03).....	511.00
Human Resources Assistant	(0.03).....	511.00
Director of Finance/Planning.....	(0.03).....	1,534.00
Assistant Director of Finance	(0.05).....	1,762.00
Senior Accountant/Grants Manager	(0.03).....	865.00
Accounting Specialist.....	(0.02).....	477.00
Accounting Specialist.....	(0.03).....	563.00
Payroll Specialist.....	(0.03).....	563.00
Accounts Payable Clerk.....	(0.12).....	2,114.00
Accounting Assistant.....	(1.00).....	19,312.00
Accounting Secretary	(0.03).....	716.00
IT Manager	(0.02).....	614.00
Senior Community Service Manager (Central).....	(0.05).....	1,561.00
Employment & Training Coordinator	(0.50).....	10,836.00
Community Worker	(0.05).....	1,130.00
Community Worker	(0.05).....	828.00
Community Service Manager – Leahi.....	(0.05).....	1,164.00
Community Worker	(0.05).....	628.00
Community Service Manager – Kalihi-Palama)	(0.05).....	1,211.00
Community Worker.....	(0.05).....	804.00
Community Worker.....	(0.05).....	804.00

SECOND AMENDED EXHIBIT I

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Community Service Manager – Waianae.....(0.05).....	1,199.00
Community Worker.....(0.05).....	804.00
Community Worker.....(0.05).....	682.00
Community Service Manager – Windward.....(0.05).....	1,182.00
Community Worker.....(0.05).....	804.00
Community Worker.....(0.05).....	804.00
Program Manager.....(1.00).....	33,852.00
Program Aide.....(1.00).....	12,553.00
Program Aide.....(1.00).....	<u>19,312.00</u>
TOTAL	\$124,396.00

Other Personnel Costs:

Payroll Taxes and Assessments:

Social Security.....	\$ 9,516.00
Unemployment Insurance.....	3,794.00
Workers' Compensation.....	1,804.00
Temporary Disability Insurance.....	1,742.00

Fringe Benefits:

Health Insurance.....	12,440.00
Retirement.....	<u>9,952.00</u>

TOTAL \$ 39,248.00

Other Current Expenses:

Supplies.....	\$ 23,219.00
Postage, Freight & Delivery.....	550.00
Telephone.....	2,575.00
Mileage Reimbursement.....	7,051.00
Insurance.....	2,000.00
Independent Audit.....	2,000.00
Contractual Services – Program/Administrative.....	1,485.00
Membership, Subscription & Professional Activities.....	3,000.00

SECOND AMENDED EXHIBIT I

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ARRA Programs & Projects – 2,332,540.00:

District Center Programs	
Emergency Housing Assistance for Working Families.....	409,000.00
Bus Passes.....	52,500.00
Good Neighbor Fund/Support Services.....	7,000.00
Emergency Energy Assistance	44,000.00
Repair & Maintenance (Program Sites).....	212,000.00
Senior Community Services Employment Program	
Food Assistance.....	45,000.00
Bus Passes.....	1,500.00
Youth Services Program	
Post-Secondary Education Assistance.....	22,500.00
Work Experience Training Assistance	18,000.00
Bus Passes.....	30,000.00
Kalaeloa Shelter Stabilization Program	
Food Assistance.....	240,000.00
Bus Passes.....	18,000.00
Housing/Shelter Assistance	60,000.00
Shelter Equipment & Furnishings	20,000.00
Feeding Program	
Institute for Human Services	76,520.00
River of Life	56,520.00
Partnership & Linkages*	
<i>* HCAP confirmed at a presentation of its revised CSBG ARRA Plan on 2/24/10 to use performance-based contracts incorporating a milestone payment system. HCAP by executing contracts with the agencies listed below assures OCS that these agencies will deliver the agreed to services and expend these funds.</i>	
Hawaii Literacy	75,000.00
Catholic Charities of Hawaii	250,000.00
Pacific Gateway Center	250,000.00
Goodwill Industries of Hawaii, Inc.	250,000.00
H-5 Hawaii Helping the Hungry Have Hope	85,000.00
MedAssist.....	50,000.00
Hawaii Technology Institute	60,000.00
TOTAL	\$2,374,420.00

SECOND AMENDED EXHIBIT I

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Equipment:

Computer Learning Lab Equipment (Multiple Sites).....	\$ 270,000.00
Multimedia/Recording Studio Equipment (Multiple Sites).....	165,000.00
Classroom Furniture & Equipment (Multiple Sites)	85,000.00
Computers.....	6,750.00
Laser Printer	<u>1,500.00</u>
TOTAL	\$528,250.00

BENEFITS AND ENROLLMENT COORDINATION FUNDS - \$12,500.00

Marketing:

Designed & Produced Agency Printed Materials.....	\$ 3,500.00
Banners & signage.....	2,500.00
Public Outreach Equipment & Supporting material.....	3,500.00
Website Development Services – 6 Flip Style Videocameras	<u>3,000.00</u>
TOTAL	\$ 12,500.00

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