



March 29, 2011

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

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

SUBJECT: Florida's Monitoring of CSBG Funds Provided to Community Action Agencies
Under the American Recovery and Reinvestment Act (A-04-10-01081)

Attached, for your information, is an advance copy of our final report on the *Florida's Monitoring of CSBG Funds Provided to Community Action Agencies Under the American Recovery and Reinvestment*. We will issue this report to the Florida Division of Housing and Community Development within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov or Peter J. Barbera, Regional Inspector General for Audit Services, at (404) 562-7750 or through email at Peter.Barbera@oig.hhs.gov. Please refer to report number A-04-10-01081.

Attachment



Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

March 30, 2011

Report Number: A-04-10-01081

Ms. Paula Lemmo
Community Programs Manager
Division of Housing and Community Development
Department of Community Affairs
2555 Shumard Oak Boulevard
Tallahassee, FL 32399-2100

Dear Ms. Lemmo:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Florida's Monitoring of CSBG Funds Provided to Community Action Agencies Under the American Recovery and Reinvestment 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 <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Mary Ann Moreno, Audit Manager, at (404) 562-7770 or through email at Mary.Moreno@oig.hhs.gov. Please refer to report number A-04-10-01081 in all correspondence.

Sincerely,

/Peter J. Barbera/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

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

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FLORIDA'S MONITORING OF CSBG
FUNDS PROVIDED TO COMMUNITY
ACTION AGENCIES UNDER THE
AMERICAN RECOVERY AND
REINVESTMENT ACT**



Daniel R. Levinson
Inspector General

March 2011
A-04-10-01081

Office of Inspector General

<http://oig.hhs.gov>

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

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

The Community Services Block Grant (CSBG) program was reauthorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. No. 105-285, to provide funds to alleviate the causes and conditions of poverty in communities. The CSBG funds a State-administered network of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$681 million in 2009 and \$680 million in 2010 through the CSBG.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (the Recovery Act), provides \$1 billion in additional CSBG funds for fiscal years (FY) 2009 and 2010.

Community Services Block Grant Program in Florida

In Florida, the Department of Community Affairs (the State agency) administers the CSBG program. It is responsible for approving the State's Community Action Agency (CAA) Recovery Act grant applications and monitoring the CAAs for compliance with program regulations. The State agency received approximately \$35 million in regular CSBG funds for 2009 and 2010. The Recovery Act provided Florida with \$29,060,460 in additional CSBG funds for FYs 2009 and 2010 to 29 eligible entities.

Federal Requirements for State Monitoring of Community Service Block Grant Funds

Pursuant to section 678(B) of the CSBG Act, the State agency must monitor eligible entities by conducting full onsite reviews of each eligible entity at least once during each 3-year period. A State agency conducts these reviews to determine whether eligible entities meet the performance goals, administrative standards, financial requirements, and other requirements of its State.

After the Recovery Act was implemented, the Administration for Children and Families (ACF) issued guidance (IM-112, August 18, 2009) that requires State agencies to review risk assessments conducted by eligible entities and provide the risk assessments to the Office of Community Services with State comments.

OBJECTIVE

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

SUMMARY OF FINDINGS

The State agency has established adequate internal controls for assessing and monitoring the CSBG funds provided to CAAs under the Recovery Act. However, during our review we noted issues involving onsite monitoring and timely awarding of funds.

The State agency informed us that the late onsite monitoring occurred because it lost an employee and had to hire and train a replacement. Also, additional work was imposed as a result of the receipt of Recovery Act funds. State officials told us that the State did not award funds to CAAs on time because it received the funds late.

As a result of these issues, risks are increased that intended recipients may not receive all of the additional CSBG services envisioned in the Recovery Act.

RECOMMENDATION

We recommend that the State Agency conduct full onsite reviews at its CAAs in a timely manner and ensure that future CSBG awards are distributed in accordance with the State plan.

STATE AGENCY COMMENTS

In its written response, the State agency concurred with our findings. The State Agency described actions taken to address the monitoring issue and stated that notwithstanding the untimely awarding of funds, the CAAs were able to expend 96.8 percent of the CSBG-ARRA funds by September 30, 2010. The State agency's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Federal Community Services Block Grant Program

The Community Services Block Grant (CSBG) program was reauthorized by the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. No. 105-285, to provide funds to alleviate poverty in communities. The CSBG funds a State-administered network of more than 1,100 local agencies that create, coordinate, and deliver programs and services to low-income Americans. States received \$681 million in 2009 and \$680 million in 2010 through the CSBG.

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

Office of Community Services

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

Community Services Block Grant Program in Florida

In Florida (the State), the Department of Community Affairs (the State agency) acts as the lead agency for purposes of carrying out State activities for the CSBG program. The State agency is responsible for approving the State's Community Action Agency (CAA) Recovery Act grant applications and monitoring the CAAs for compliance with program regulations. The State agency received approximately \$35 million in regular CSBG funds for 2009 and 2010. The State agency was awarded with an additional \$29,060,460 in Recovery Act funds for the State's CSBG program.

Office of Inspector General Audits

On December 31, 2009, we issued a memorandum¹ to ACF alerting it that CSBG program funds made available under the Recovery Act might be at risk for fraud, waste, and abuse at certain

¹ Office of Inspector General, *Alert: Community Service Block Grant Recovery Act Funding for Vulnerable and In-Crisis Community Action Agencies* (A-01-09-025111). Available online at <http://oig.hhs.gov/oas/reports/region1/10902511.pdf>. Accessed on November 12, 2010.

CAAs that State agencies designated as “vulnerable” or “in crisis.” We reviewed ACF records in November 2009 and identified 20 CAAs in 16 States that the States had reported as vulnerable or in crisis as of October 30, 2009. These 20 CAAs are scheduled to receive a total of \$44.9 million in Recovery Act funds.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We conducted a limited review of the State’s internal controls for assessing and monitoring the CSBG funds provided to CAAs under the Recovery Act. We did not perform an overall assessment of the Agency’s internal control structure. We reviewed only the internal controls that pertained directly to our objectives. Our review period was April 1, 2009, through March 31, 2010.

We performed our fieldwork at the State agency in Tallahassee, Florida, during May 2010.

Methodology

To accomplish our objective, we:

- reviewed applicable State laws and regulations pertaining to the CSBG program and monitoring CAAs;
- reviewed applicable Federal laws and regulations pertaining to Federal CSBG awards and the CSBG program;
- reviewed OCS guidance;
- reviewed the previous Government Accountability Office and Office of Inspector General audit reports on OCS and State oversight of the CSBG program;
- reviewed the CAA’s independent audit reports, including A-133 reports;
- interviewed State agency officials to determine the policies, procedures, and controls related to oversight of the CAAs;
- reviewed the State agency’s supporting documentation for the CAAs they monitored; and
- reviewed the timeline for receipt and award of CSBG Recovery Act funding.

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

FINDINGS AND RECOMMENDATION

The State agency has established adequate internal controls for assessing and monitoring the CSBG funds provided to CAAs under the Recovery Act. However, during our review, we noted issues involving onsite monitoring and timely awarding of funds.

The State agency informed us that the late onsite monitoring occurred because it lost an employee and had to hire and train a replacement. Also, additional work was imposed as a result of the receipt of Recovery Act funds. State officials told us that the State did not award funds to CAAs on time because it received the funds late.

As a result of these issues, risks are increased that intended recipients may not receive all of the additional CSBG services envisioned in the Recovery Act.

TIMELY ONSITE MONITORING

Federal regulations (42 U.S.C. § 9914) require the State to conduct a full onsite review of each eligible entity at least once during each 3-year period to determine whether such entities meet the performance goals, administrative standards, financial management requirements, and other requirements.

The State had complied with the monitoring requirement of 42 U.S.C. § 9914 on 87 percent of its eligible CSBG entities. However, the State was behind schedule and had missed the 3-year monitoring interval on four entity reviews as of May 17, 2010. Three of the reviews were between 1 and 3 months late, and one review was 6 months late.

TIMELY AWARDING OF FUNDS

According to the *State Recovery Act Plan*, Florida was to award 99 percent of the CSBG Recovery Act funds before September 30, 2009. The State had awarded 71 percent of CSBG Recovery Act funds timely. Of the \$28,473,282 available for award to CAAs, the State awarded \$20,206,803 before September 30, 2009, and awarded the remaining \$8,266,479 of funds between October and December 2009.

As a result of these issues, risks are increased that intended recipients may not receive all of the additional CSBG services envisioned in the Recovery Act.

RECOMMENDATION

We recommend that the State Agency conduct full onsite reviews at its CAAs in a timely manner and ensure that future CSBG awards are distributed in accordance with the State plan.

STATE AGENCY COMMENTS

In its written response, the State agency concurred with our findings. The State Agency described actions taken to address the monitoring issue and stated that notwithstanding the untimely awarding of funds, the CAAs were able to expend 96.8 percent of the CSBG-ARRA funds by September 30, 2010. The State agency's comments are included in their entirety as the Appendix.

APPENDIX



STATE OF FLORIDA

DEPARTMENT OF COMMUNITY AFFAIRS

*"Dedicated to making Florida a better place to call home"*RICK SCOTT
GovernorBILLY BUZZETT
Secretary

February 7, 2011

Mr. Peter J. Barbera
 Regional Inspector General for Audit Services
 Office of Audit Services, Region IV
 Department of Health and Human Services
 61 Forsyth Street, SW, Suite 3T41
 Atlanta, GA 30303

Re: Audit Response to Report Number: A-04-10-01081

Dear Mr. Barbera:

This letter is the Florida Department of Community Affairs* (Department) responses to the above referenced draft report. The Department appreciates your comments and the opportunity to respond to the draft report. We look forward to receiving the final outcomes of the audit report.

The following are statements of concurrence or non-concurrence to the Findings and Recommendations.

FINDINGS AND RECOMMENDATIONS

The State agency has established adequate internal controls for assessing and monitoring the CSBG funds provided to CAAs under the Recovery Act. However, during our review, we noted issues involving onsite monitoring and timely awarding of funds.

The State agency informed us that the late onsite monitoring occurred because it lost an employee and had to hire and train a replacement. Also, additional work was imposed as a result of the receipt of recovery Act funds. State officials told us that the State did not award funds to CAAs on time because it received the funds late.

As a result of these issues, risks are increased that intended recipients may not receive all of the additional CSBG services envisioned in the Recovery Act.

2555 SHUMARD OAK BOULEVARD ♦ TALLAHASSEE, FL 32399-2100
 850-488-8466 (p) ♦ 850-921-0781 (f) ♦ Website: www.dca.state.fl.us

♦ COMMUNITY PLANNING 850-488-2356 (p) 850-488-3309 (f) ♦ FLORIDA COMMUNITIES TRUST 850-922-2207 (p) 850-921-1747 (f) ♦
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February 7, 2011

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TIMELY ONSITE MONITORING

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The State had complied with the monitoring requirement of 42 USC 9914 on 87 percent of its eligible CSBG entities. However, the State was behind schedule and had missed the 3-year monitoring interval on four entity reviews as of May 17, 2010. Three of the reviews were between 1 and 3 months late, and one review was 6 months late.

Departments Response

The Department concurs with this finding. Over the past year the Department contracted with a private firm to restructure their monitoring tools and the monitoring process. The new process has established an even amount of document and information accumulation that can be handled by the subgrantee. This is all sent to the monitor for pre-review prior to the on-site monitoring. Once the pre-review is done then the on-site monitoring takes less time and provides the state monitor the ability to work closely with the subgrantee on problems that have already been identified before they get to the agency.

The Department has lost two monitors in this section over the past year; however the two new people hired have monitoring prior federal program experience and have been trained on the new tool. We view this as definite plus in being able to set and reach our goals to stay on track with our monitoring schedules in the future.

TIMELY AWARDING OF FUNDS

According to the State Recovery Act Plan, Florida was to award 99 percent of the CSBG Recovery Act funds before September 30, 2009. The State had awarded 71 percent of CSBG Recovery Act funds timely. Of the \$28,473,282 available for award to CAAs, the State awarded \$20,206,803 before September 30, 2009, and awarded the remaining \$8,266,479 of funds between October and December 2009.

As a result of these issues, risks are increased that intended recipients may not receive all of the additional CSBG services envisioned in the Recovery Act.

Departments Response

The Department concurs with this finding for the ARRA CSBG subgrant agreements; however, the notification of the intent to award the ARRA CSBG stimulus funds was not received by the Department until April 21, 2009. At that time the Department expedited the state plan, moved forward with developing and sending the subgrant agreements to the local Community Action Agencies (CAA). The CAAs were asked to review, complete, execute and return their agreements to the Department no later than August 3, 2009. The Florida state plan was not


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approved by USHHS until August 28, 2009. The Department was hesitant to obligate the funds until the CSBG-ARRA State Plan was approved. About half of our CAAs are local governments. Agreements must be approved by the CAA boards as well as the local county commissions. The delays with the local governments kept the Department from meeting its 99 percent obligation by September 30, 2009.

The Department is aware that the agreements for the CSBG are more complex than most; therefore, we strive to send the CAA's their agreements in June each year in order to assure they are reviewed, completed and returned to the Department by October 1.

The CAAs were able to expend 96.8 percent of the CSBG-ARRA funds by September 30, 2010. Although there were delays in the Federal, State and local flow of these funds in the beginning of the award, it is evident that the State and CAAs were able to expend the funds well under a very demanding time frame.

Sincerely yours,

A handwritten signature in cursive script that reads "Paula Lemmo". The signature is written in black ink and is positioned to the right of the typed name.

Paula Lemmo,
Community Program Administrator
Community Assistance Programs

PL