

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE ADMINISTRATION
AND OVERSIGHT OF THE COMMUNITY
SERVICES BLOCK GRANT PROGRAM
BY THE COMMONWEALTH OF
PUERTO RICO'S DEPARTMENT OF
FAMILY, ADMINISTRATION FOR
FAMILIES AND CHILDREN**



**JUNE GIBBS BROWN
Inspector General**

**FEBRUARY 1998
A-02-96-02004**

OFFICE OF INSPECTOR GENERAL

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General
Office Of Audit Services

Region II
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February 13, 1998

Our Reference: Common Identification No. A-02-96-02004

Ms. Jenny Ramirez-Rivera, Esquire
Administrator
Administration of Families and Children
Puerto Rico Department of the Family
PO Box 15091
San Juan, Puerto Rico 00901

Dear Ms. Ramirez-Rivera:

This report provides you with the results of our "REVIEW OF THE ADMINISTRATION AND OVERSIGHT OF THE COMMUNITY SERVICES BLOCK GRANT PROGRAM BY THE COMMONWEALTH OF PUERTO RICO'S DEPARTMENT OF THE FAMILY, ADMINISTRATION FOR FAMILIES AND CHILDREN" during the period October 1, 1994 through September 30, 1996. Before July 1995, the Office of Services to Children and Community Development, (SENDEC), under the Office of the Governor, was responsible for the administration and oversight of the Puerto Rico Community Services Block Grant (CSBG) program. As a result of a reorganization in July 1995, SENDEC was renamed the Administration for Families and Children (AFAN) and transferred to the newly created Department of the Family (former Department of Social Services).

The objective of our audit was to evaluate AFAN's administration and oversight of the CSBG program. Specifically, we reviewed the process AFAN used to evaluate grantee applications, its method for determining the amount of funds to be awarded to each grantee, and its monitoring of the CSBG program's effectiveness.

Our review disclosed two major weaknesses with AFAN's administration and oversight of the CSBG program. Contrary to program requirements, AFAN did not follow established policies and procedures in its technical evaluations of the merits of proposed projects. Program effectiveness was not considered in the evaluation of grantee applications. Instead of awarding funds to grantees who proposed programs with the greatest potential for addressing poverty needs in the communities, funds were merely allocated on the

same proportional basis as had been done since 1991. Since neither project results nor ranking factors were used in the allocation of grant funds, the current procedures do not provide an incentive for grantees to improve existing programs or to develop better, more effective ones.

We also found that, after the grant funds were awarded, AFAN did not effectively monitor its CSBG program grantees as required by the Act and the State Plan. Although adequate policies and procedures for monitoring the grantees had been established, they were not followed. Required evaluations of quarterly monitoring reports submitted by grantees were not made and AFAN performed limited on-site visits. For those site visits that were made, there was inadequate documentation to enable us to establish the nature, scope and results of the visits.

In the absence of a system of directing grant awards to projects with the most potential for reducing the causes of poverty and the lack of effective program monitoring, there is no assurance that \$32.9 million of CSBG funds awarded during our audit period were utilized in the most beneficial manner possible in reducing the causes of poverty in the communities served as is the goal of the CSBG program.

The DHHS Office of Community Services reported similar findings when it issued a Program Implementation Assessment of Puerto Rico's CSBG program in 1993. As a result of that assessment, AFAN (formerly SENDEC) submitted a corrective action plan to address the deficiencies found. Our review determined, however, that it was never implemented.

We are recommending that the AFAN develop a system for allocating funds to approved programs that have the most potential for ameliorating the causes of poverty in Puerto Rico's communities. By so doing, grantees would have to compete for funding by designing new projects or by proposing improvements to existing programs rather than expect to receive the same proportionate funding percentage each year regardless of the soundness of their program proposals. We are also recommending that AFAN follow existing policies and procedures established to monitor CSBG grantees for program effectiveness, including the performance of on-site monitoring visits.

The AFAN did not provide written comments on our findings and recommendations, although it requested and was granted an extension to submit a written response. We made numerous attempts to obtain AFAN's written comments which were unsuccessful. The AFAN generally agreed with our findings and recommendations, according to verbal comments made by AFAN officials in commenting on the draft report.

The results of our review are discussed in more detail in the FINDINGS AND RECOMMENDATIONS section of this report.

INTRODUCTION

Background

The CSBG program, enacted as part of the Omnibus Budget Reconciliation Act of 1981 (Act), authorized the Secretary of the Department of Health and Human Services (DHHS) to provide grants to states, beginning with fiscal year (FY) 1982, for programs designed to ameliorate the causes of poverty. The CSBG program replaced particular titles of the Economic Opportunity Act of 1964 that had authorized categorical grant programs for community services administered directly by the Federal Government. Under the CSBG program, each state is required to file an annual application with the Secretary to receive a funding allotment for the FY.

As part of the application, the chief executive officer of the state certifies that the state makes certain assurances regarding the use of the funds. Also, states are required to use 90 percent of their funding allotments called "set-aside" funding for eligible entities. An eligible entity is generally defined as any organization which was officially designated as a community action agency under the provisions of the Economic Opportunity Act of 1964. Shortly after the enactment of the original version of the CSBG Act, the Congress passed certain amendments which modified the definition of an eligible entity to include any limited purpose agency designated under the Economic Opportunity Act.

During the period October 1, 1994 through September 30, 1996, the AFAN was awarded approximately \$32.9 million of CSBG funds. Ninety percent of the award was allocated among four eligible entities. The remaining 10 percent was divided equally between State administrative costs and discretionary grants. Two of the four grantees are large non-profit organizations that received approximately 70 percent of the total State CSBG grant award. They provide services to the entire island of Puerto Rico, except for the municipalities of San Juan and Bayamon, which each receive small CSBG grant awards.

The states are given considerable discretion and flexibility in designing their programs. However, as stipulated in the Act, each state must certify that it will use CSBG funds to provide a range of services and activities having a measurable and possible major impact on the causes of poverty. Some of the CSBG program goals include the securing and retaining of meaningful employment, attainment of an adequate education, obtaining and

maintaining adequate housing and living environments, and the removal of obstacles blocking achievement of self-sufficiency.

To meet the program certification provisions of the Act, AFAN submits to the DHHS an annual state plan which describes the range of services and activities that would be funded under the CSBG program. The state plan is, in effect, the application for Federal funds and, upon approval, is the DHHS' basis for the CSBG award to the state agency. It requires that services offered and their prioritized ranking be based on the results of community needs assessments as determined by individual grantees. Further, there is a provision that the governing boards of each grantee are responsible for providing services and activities consistent with the goals and objectives of the Act and for determining funding priorities in their local communities. The AFAN funds its grantees to administer services at the local level, such as emergency assistance (food, clothing, shelter, etc.), educational services, food and nutrition services, housing services, outreach and referral, job training and alcoholism services.

Objectives, Scope and Methodology

Our review was performed in accordance with generally accepted government auditing standards and included such tests as were considered necessary in the circumstances. The objective of the audit was to evaluate AFAN's administration and oversight of the CSBG program. Specifically, our objectives were to evaluate AFAN's procedures for evaluating the grantees' applications, its method for awarding funds to grantees and for measuring and monitoring the effectiveness of CSBG programs.

To accomplish our objectives, we held discussions with AFAN officials and other personnel responsible for programmatic grantee activities. We reviewed the CSBG grant files maintained by AFAN to determine whether AFAN evaluated program designs and documented that the most pressing needs of the communities served were based on current needs assessments, as required by the Act and its own State Plan. We also reviewed the method used by AFAN to determine the amount of funding awarded to each grantee and its monitoring of grantee programs. Our review also included a determination of whether AFAN enforced its requirements that grantees measure the success of their funded programs and whether timely and adequate on-site programmatic monitoring visits were made by AFAN to evaluate the effectiveness of such programs.

Our review of the adequacy of internal controls was limited to gaining an understanding of and testing the internal control structure related to the audit objectives.

We found that the items tested were in compliance with applicable laws and regulations except for the matters discussed in the FINDINGS AND RECOMMENDATIONS section of this report.

The AFAN did not provide written comments on our findings and recommendations, although we requested such comments within 30 calendar days from September 30, 1997, the date of our draft report. On October 9, 1997 we discussed the draft report with the CSBG Director and a special aid to the AFAN Administrator. On October 29, 1997, AFAN, in order to finish its response, requested, and was granted, an extension to November 22, 1997. Subsequent to November 22 we had numerous telephone conversations with AFAN officials in which we were advised that a draft response was prepared and was being revised to include a corrective action plan requested by the Administrator. However, despite several indication that a written response would be provided, AFAN failed to do so. Based on our conversations with AFAN officials, we were informed that it generally agreed with our findings and recommendations. Finally, we apprised AFAN officials that the final report would be issued without its written comments.

The audit field work was conducted at Puerto Rico's CSBG (AFAN's) program central offices in San Juan, Puerto Rico during the months of April 1996 to January 1997.

FINDINGS AND RECOMMENDATIONS

Our review disclosed that AFAN did not evaluate CSBG grantee applications for potential program effectiveness. Although procedures for the evaluation of these applications had been established, they were not effectively utilized. Applications were merely processed each year since the grantees have received the same predetermined, proportional share of the annual CSBG grant award since 1991. We also found that, after CSBG funds had been awarded to its grantees, AFAN conducted very limited program monitoring. As a result, AFAN did not adequately determine program successes and weaknesses nor were its procedures adequate to provide assurances that CSBG funds awarded during our audit period were utilized in the most effective manner possible in addressing poverty in Puerto Rico communities as is the goal of the CSBG program.

CSBG GRANT APPLICATION AND FUND DISTRIBUTION

Although the Puerto Rico CSBG State Plan (State Plan) and the Act provide that AFAN use CSBG funds for services and activities having a measurable and potentially major

impact on reducing the causes of poverty, AFAN funded the grantees whose files we selected for review in fiscal years (FYs) 1995 and 1996 without assurances that this requirement was met. The AFAN did not enforce State Plan requirements that grantees consider potential program effectiveness and accomplishments when designing their CSBG programs. Further, we were not provided with evidence that AFAN adhered to its established policies and procedures for verifying and evaluating the content of grantee applications.

We reviewed the files maintained by the AFAN for the two largest grantees in Puerto Rico. These grantees received approximately \$23.2 million of the \$32.9 million CSBG grant award for the two-year period ending September 30, 1996. The files contained no evidence that AFAN enforced its requirements that grantees measure and consider successes and weaknesses in program design. There was also no evidence of the performance of comprehensive evaluations of grantee applications, including a verification of the specific needs of communities to be served.

Adequate needs assessments are essential to the process of effectively evaluating grant applications and making decisions on funding specific projects. The development of the needs assessments should involve input from a comprehensive community action plan, recipients, community leaders, and other knowledgeable sources. These assessments are intended to provide information to assist grantees in designing programs that reduce the causes of poverty. Even though the State plan requires that each individual grantee develop its own needs assessment, island-wide data was used instead.

The absence of adequate documentation demonstrating that AFAN considered program successes and weaknesses in designing CSBG programs and determining specific community needs is contrary to the Act and the Puerto Rico CSBG State Plan. The CSBG Statutory Assurances, as amended by Public Law 103-252, Human Services Amendments of 1994, provide that the chief executive officer shall certify that the state agrees to secure from each eligible entity a community action plan that includes a needs assessment and a description of outcome measures to be used to monitor success of the grantees' programs. Further, AFAN's existing policies and procedures required that AFAN assess whether the grantees properly identified the needs of communities being served. Finally, AFAN was required to perform an analysis of the proposed programs to assess their potential impact on the needs of the communities. The AFAN was deficient in each of these requirements.

The veracity of the data contained in the grantee applications for FYs 1995 and 1996 was never determined due to AFAN's inadequate or, in some instances, nonexistent evaluations. Instead, applications were used only to gather information to process the grant award. We were informed by AFAN officials that the amount of funds awarded to

each grantee was based on historic, predetermined proportions of Puerto Rico's CSBG award and that, after this funding method was established, it has never been changed. We were unable to determine the derivation of the distribution percentages. However, they have been in effect in Puerto Rico since at least fiscal year ending September 30, 1991. Because grantees know in advance the proportion of CSBG funds they will receive, this methodology provides no motivation for grantees to compete for available funding by developing meaningful needs assessments, designing better programs or improve existing ones. Accordingly, with funding levels assured and no technical evaluations by AFAN, there appears to be little incentive for grantees to develop meaningful needs assessments specific to the communities being served or to even measure past program accomplishments.

In February 1993, the Office of Community Services (OCS) issued a Program Implementation Assessment of Puerto Rico's CSBG program. At that time, OCS had similar findings in that they were unable to verify that the Puerto Rico CSBG program was providing meaningful and effective services and activities having a measurable and potentially major impact on the causes of poverty in the communities being served. The AFAN (formerly SENDEC) in effect concurred to the OCS findings by responding with a corrective action plan. This plan included assurances that AFAN would secure from the CSBG grantees "... criteria utilized to identify acute poverty, the means utilized to address such poverty and if they [the grantees] have a system to verify that services being offered are of impact to those communities served." During our review, we found no evidence that the steps identified in AFAN's corrective action plan were ever implemented.

Our findings raise fundamental questions as to whether the funds awarded to the Puerto Rico CSBG grantees were being used in ways that most benefitted the communities being served. In our opinion, the current method of funding grantees provides no assurances that CSBG funds were awarded for programs with the most potential for reducing poverty in Puerto Rico's communities.

Recommendation

To meet the requirements of the Act and comply with the State Plan, we recommend that AFAN establish a system that will provide CSBG funding to only those grantees who design programs with the most potential for reducing the causes of poverty in communities being served. To accomplish this, AFAN should implement controls to accurately measure current program effectiveness and accomplishments in terms of community needs and evaluate the results of such programs before awarding CSBG funds in the future.

AFAN's MONITORING AND EVALUATION

The FYs 1995 and 1996 Puerto Rico CSBG State Plan and the Act provided that AFAN conduct periodic programmatic monitoring of its grantees' programs. Our review disclosed that, although AFAN has a comprehensive monitoring protocol in place, it was not followed. Controls over the review and technical evaluation of grantee program progress reports were lax and site visits were either not conducted or were ineffective in determining program effectiveness.

AFAN's evaluation protocol consists of two parts. The first provides for desk reviews of grantee quarterly reports and the second provides for on-site visits.

With regard to the first part of the evaluation process, the grantees are required to submit quarterly progress reports which are intended to be utilized as a monitoring tool. These reports contain important programmatic information such as the number of eligible clients, the clients served during the applicable quarter, and a description of the services provided. When these reports were received, AFAN officials should have reviewed the data to evaluate progress and to determine whether actual project performance was consistent with the original grant application.

AFAN officials advised us, however, that the quarterly reports were not utilized in the desk review part of the evaluation process because the statistics in these reports were generally unreliable and were usually submitted late. We found no evidence to document whether any attempts by AFAN to encourage grantees to submit more reliable and timely information were successful.

With regard to the second part of the evaluation process, we found that AFAN had not performed any on-site monitoring visits for one of its two major CSBG grantees whose files we selected for review. Monitoring visits for the other grantee were ineffective in determining the strengths and weaknesses of its programs, since much of the required work was incomplete. These two grantees received approximately 70 percent of Puerto Rico's CSBG grant award. The Act and Puerto Rico's FYs 1995 and 1996 CSBG State Plans required that on-site monitoring visits were to be conducted at least once annually. Field representatives, who conducted the monitoring visits, were responsible for identifying potential and actual problems and aiding grantees in implementing corrective actions.

The quarterly progress reports, as well as the on-site programmatic monitoring reviews, were intended to assist AFAN in verifying whether CSBG grantees were providing a range of services which were having a measurable impact on the causes of poverty in their communities and were being effective in ameliorating such causes. Importance

should be placed on these reports as they are intended to provide a mechanism for evaluating the performance of CSBG programs, provide technical assistance to the grantees, and enable AFAN to determine if grantee programs were meeting CSBG requirements and merited continued funding.

Without the periodic monitoring of grantees, AFAN has no assurance that programmatic goals stated in the CSBG agreements were achieved or that services were provided in a timely, efficient and effective manner. AFAN's ability to provide effective oversight and propose recommended changes or corrective actions, where needed, were also diminished, because, without such monitoring, AFAN could not be assured that the proposed programs were actually implemented. Accordingly, there is no assurance that CSBG funds were used in the most efficient manner possible in addressing the causes of poverty in Puerto Rico's communities.

Recommendation

We recommend that AFAN adhere to established policies and procedures for monitoring and documenting the performance of its grantees through progress reports and on-site monitoring visits. In addition, we recommend that immediate steps be taken to evaluate programs currently in place and determine how effective grantees have been in accomplishing the goals and objectives of their programs and initiate appropriate action(s). Such actions could include proposing corrective actions to improve the program(s) and continuation of funding at current level, decreasing funding of the program(s), or program termination.

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

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and subcontractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5).

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Please refer to Common Identification Number A-02-96-02004 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Timothy J. Horgan", with a long horizontal flourish extending to the right.

Timothy J. Horgan
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:

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