

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NOT ALL COMMUNITY SERVICES BLOCK
GRANT RECOVERY ACT COSTS CLAIMED
ON BEHALF OF THE COMMUNITY ACTION
PARTNERSHIP OF NATRONA COUNTY FOR
THE PERIOD JULY 1, 2009, THROUGH
SEPTEMBER 30, 2010,
WERE ALLOWABLE**

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Regional Inspector General

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Office of Inspector General

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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.

EXECUTIVE SUMMARY

BACKGROUND

The Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. 105-285, reauthorized the Community Services Block Grant (CSBG) program to provide funds to alleviate the causes and conditions of poverty in communities. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF), Office of Community Services, administers the CSBG program. The CSBG program funds a State-administered network of more than 1,000 local Community Action Agencies (CAA) that create, coordinate, and deliver programs and services to low-income Americans. Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received an additional \$1 billion for the CSBG program; these additional funds were for services and programs provided during the period July 1, 2009, through September 30, 2010.

In Wyoming, the Department of Health (State agency) acts as the lead agency for purposes of carrying out State-level activities for the CSBG program. The State agency is responsible for evaluating the CSBG program applications from existing and potential CAAs, awarding grant funds to approved CAAs, and monitoring the CAAs for compliance with program regulations. The State agency submits quarterly fiscal reports to ACF for the CSBG Recovery Act programs based on quarterly expenditure information from CAAs.

Community Action Partnership of Natrona County (Natrona County) is a public nonprofit CAA that awards CSBG funds to subcontractors to provide services including education, emergency services, and employment to low-income families and individuals residing in Natrona County, Wyoming. Our review covered \$853,703 in CSBG Recovery Act funds that the State agency claimed for awards made to Natrona County for the period July 1, 2009, through September 30, 2010.

Federal regulations (45 CFR § 74.21(b)) require that, among other things, each CAA's financial management system provide (1) accurate, current, and complete disclosure of the financial results of each program; (2) records that adequately identify the source and application of Federal funds; (3) effective control over and accountability for all funds, property, and other assets to ensure that they are used solely for authorized purposes; (4) procedures for determining the allowability of costs; and (5) accounting records that are supported by source documentation.

OBJECTIVE

Our objective was to determine whether CSBG Recovery Act costs claimed by the State agency on behalf of Natrona County were allowable under the terms of the grant and applicable Federal requirements.

SUMMARY OF FINDINGS

Not all of the CSBG Recovery Act costs claimed by the State agency on behalf of Natrona County were allowable under the terms of the grant and applicable Federal regulations. Of the \$853,703 in CSBG Recovery Act funds that the State agency claimed on behalf of Natrona County, \$748,732 was allowable under the terms of the Recovery Act and applicable Federal requirements. However, \$104,971 in CSBG Recovery Act funds was not allowable under the terms of the grant and applicable Federal regulations. Specifically, Natrona County claimed \$102,121 in CSBG Recovery Act funds that was unallowable because Natrona County and its subcontractors distributed these funds to recipients without adequately supporting their eligibility determinations. These unallowable costs involved both rental assistance costs totaling \$94,249 and summer camp and after-school program costs totaling \$7,872.

Contrary to ACF's guidelines, Natrona County expended \$2,850 for rental assistance after the Recovery Act funding period had ended.

Natrona County and its subcontractors did not have written policies and procedures to ensure that the subcontractors collected and maintained documentation to support their recipient eligibility determinations. In addition, Natrona County did not have written policies and procedures to ensure that it expended CSBG Recovery Act funds before the end of the funding period. As a result, the State agency overstated its claim to the CSBG Recovery Act grant by a total of \$104,971.

In addition, we noted internal control weaknesses related to Natrona County's:

- monitoring of subcontractors,
- segregation of duties,
- check authorizations, and
- uninsured bank accounts.

Natrona County's lack of policies and procedures regarding eligibility determinations and internal control weaknesses related to the monitoring and safeguarding of assets did not ensure that Natrona County conformed to the terms of the grant and applicable Federal requirements.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment to ACF of \$104,971 for costs claimed by Natrona County that did not conform to the terms of the Recovery Act grant and applicable Federal requirements, and
- ensure that Natrona County either develops or implements policies, procedures, and related internal controls regarding eligibility determinations, funds management, and monitoring of the CSBG program.

COMMUNITY ACTION PARTNERSHIP OF NATRONA COUNTY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

Community Action Partnership of Natrona County Comments

In written comments on our draft report, Natrona County did not directly address our recommendations. Natrona County addressed each of our findings and described corrective actions that it had taken or planned to take.

For our finding on inadequately supported eligibility determinations, Natrona County said that it received no guidance or instruction from the State of Wyoming regarding residency requirements, and as a result Natrona County provided assistance based on its own policy. Natrona County stated that in so doing, it was in compliance with eligibility determination requirements based on its State plan and the grant award agreement.

Natrona County acknowledged that it had expended funds after the end of the grant award period. Natrona County said that this issue had been identified during its annual audit in fiscal year 2011 and added that it changed its procedure in October 2011 to ensure that this error would not be repeated. Natrona County also provided information that acknowledged most of the internal control weaknesses that we identified and that described improvements in its procedures.

Office of Inspector General Response

After reviewing Natrona County's comments, we maintain that our findings and recommendations remain valid.

We disagree with Natrona County concerning the adequacy of its supporting eligibility determination documentation. Notwithstanding Natrona County's statement that it received no guidance or instruction from the State of Wyoming, we based our finding on the fact that Natrona County did not meet the documentation requirements of the Federal cost principles.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency did not concur with our first recommendation to make a financial adjustment to ACF of \$104,971 for costs claimed by Natrona County that we had questioned. With respect to the specific findings that contributed to this recommendation, the State agency agreed with our finding regarding the \$2,850 in rental assistance funds that Natrona County had expended after the Recovery Act funding period had ended, and added that this issue had been previously identified during another audit.

The State agency disagreed with our other findings regarding inadequately supported eligibility determinations that involved both rental assistance costs and summer camp and after-school program costs. Specifically, the State agency summarized Natrona County's documentation requirements and added that Natrona County maintained that it complied with eligibility determinations regarding residency requirements and income verification. The State agency also stated that Natrona County lacked policies and procedures in this regard.

The State agency concurred with our second recommendation and described corrective actions that it had taken or planned to take. With respect to the internal control weaknesses that contributed to this recommendation, the State agency agreed with our first three findings but disagreed with our finding regarding uninsured bank accounts. The State agency reiterated what Natrona County had stated in its comments: that its auditors determined that the investment account in question was acceptable but due to our audit, the account was closed.

The State agency's comments included technical comments related to Natrona County's status as a nonprofit CAA and the grant period for which Recovery Act funds were allocated.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments, we maintain that our findings and recommendations are valid. Specifically, Natrona County is required to maintain documentation to support its eligibility determinations. While the State agency's comments described Natrona County's documentation requirements, Natrona County was not able, either during our fieldwork or afterward, to provide documentation demonstrating that the recipients of the services in question met the eligibility requirements.

Regarding the internal control weaknesses that we identified, we disagree with the State agency concerning the uninsured bank account. During our fieldwork, Natrona County staff stated (and we confirmed) that part of this account was invested in non-government securities; therefore, Federal grant funds would have been at risk if the account had remained open and the bank were to default. We note, too, that Natrona County closed this account after we had brought this issue to its attention.

After reviewing the technical comments that the State agency included in its response to our draft report, we elected not to change the language in our final report because the documentation that Natrona County provided to us supported our descriptions of Natrona County's nonprofit status and the timeframe of the grant period.

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B: STATE AGENCY COMMENTS

INTRODUCTION

BACKGROUND

Community Services Block Grant Program

The Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (COATES Act), P.L. 105-285, reauthorized the Community Services Block Grant (CSBG) program 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 1,000 local Community Action Agencies (CAA) that create, coordinate, and deliver programs and services to low-income Americans. The CAAs provide services and activities addressing employment, education, housing, nutrition, emergency services, health, and better use of available income.

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received an additional \$1 billion for the CSBG program; these additional funds were for services and programs provided during the period July 1, 2009, through September 30, 2010. For this period, the Recovery Act made provisions for the expansion of CSBG-related services to those individuals who are within 200 percent of the Federal poverty level.

Wyoming Department of Health

In Wyoming, the Department of Health (State agency) acts as the lead agency for purposes of carrying out State-level activities for the CSBG program. The State agency is responsible for evaluating the CSBG program applications from existing and potential CAAs, awarding grant funds to approved CAAs, and monitoring the CAAs for compliance with program regulations. The State agency submits quarterly fiscal reports to ACF for the CSBG program based on quarterly expenditure information from CAAs.

Community Action Partnership of Natrona County

Community Action Partnership of Natrona County (Natrona County) is a nonprofit CAA that awards CSBG funds to subcontractors to provide educational, emergency, and employment services to low-income families and individuals residing in Natrona County, Wyoming. The State agency awarded CSBG funds to Natrona County, which in turn awarded the funds to three subcontractors for the provision of services to the target population. For the period July 1, 2009, through September 30, 2010, the State agency awarded Natrona County \$853,703 in a CSBG Recovery Act award.

Federal Requirements

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 CAA. Nonprofit CAAs are subject to 45 CFR part 74. The regulations at 45 CFR § 74.27(a) state that the allowability of costs will be determined in accordance with 2 CFR part 230 (OMB Circular A-122), *Cost Principles for Non-Profit Organizations*.

Federal regulations (45 CFR § 74.21(b)) require that, among other things, each CAA's financial management system provide (1) accurate, current, and complete disclosure of the financial results of each program; (2) records that adequately identify the source and application of Federal funds; (3) effective control over and accountability for all funds, property, and other assets to ensure that they are used solely for authorized purposes; (4) procedures for determining the allowability of costs; and (5) accounting records that are supported by source documentation.

This review is one of a series of Office of Inspector General reviews to provide oversight of Recovery Act funds.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether CSBG Recovery Act costs claimed by the State agency on behalf of Natrona County were allowable under the terms of the grant and applicable Federal requirements.

Scope

We reviewed \$853,703 in CSBG Recovery Act funds that ACF awarded to the State agency (on behalf of Natrona County) for the period July 1, 2009, through September 30, 2010.

We conducted a limited review of Natrona County's financial transactions and systems related to CSBG Recovery Act program and related policies and procedures. We did not perform an overall assessment of Natrona County's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective.

We performed fieldwork at Natrona County's administrative office in Casper, Wyoming, from January through July 2012.

Methodology

To accomplish our objective, we:

- reviewed Federal laws, regulations, and guidance;
- reviewed the State agency's CSBG Recovery Act State plan;

- confirmed that Natrona County was not excluded from receiving Federal funds;
- interviewed State agency officials and Natrona County's management, program, and financial staff to gain an understanding of each entity's processes for monitoring the CSBG Recovery Act programs;
- reviewed and analyzed Natrona County's audited financial statements and supporting documentation for the period July 1, 2009, through September 30, 2010;
- reviewed Natrona County's applications for CSBG Recovery Act funding and Natrona County's implementation of the grant awards;
- reviewed Natrona County's bylaws, Board of Directors' (Board) meeting minutes, composition of the Board, financial management policies and procedures, and organizational chart;
- reviewed and analyzed Natrona County's expenditure and financial reports;
- performed audit steps to assess the adequacy of Natrona County's current financial systems;
- judgmentally selected and reviewed vouchers and supporting eligibility documentation for 30 recipients totaling \$109,580 for the rental assistance program and vouchers for 37 recipients totaling \$20,082 for the summer camp and after-school programs to determine whether the recipients' application information was adequately supported by appropriate eligibility documentation;¹ and
- discussed findings with Natrona County officials on July 27, 2012.

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.

FINDINGS AND RECOMMENDATIONS

Not all of the CSBG Recovery Act costs claimed by the State agency on behalf of Natrona County were allowable under the terms of the grant and applicable Federal regulations. Of the \$853,703 in CSBG Recovery Act funds that the State agency claimed on behalf of Natrona

¹ The rental assistance program was the largest of Natrona County's programs in terms of both costs and the number of vouchers. For the summer camp and after-school programs, Natrona County awarded funds to two subcontractors. For one of these subcontractors (Boys and Girls Club of Central Wyoming (Boys and Girls Club)), we reviewed the voucher that had the largest costs and the largest number of recipients. The other subcontractor and the other programs had fewer vouchers and therefore, we reviewed all of their vouchers.

County, \$748,732 was allowable under the terms of the Recovery Act and applicable Federal requirements. However, \$104,971 in CSBG Recovery Act funds was not allowable under the terms of the grant and applicable Federal regulations. Specifically, Natrona County claimed \$102,121 in CSBG Recovery Act funds that was unallowable because Natrona County and its subcontractors distributed these funds to recipients without adequately supporting their eligibility determinations. These unallowable costs involved both rental assistance costs totaling \$94,249 and summer camp and after-school program costs totaling \$7,872.

Contrary to ACF's guidelines, Natrona County expended \$2,850 for rental assistance after the Recovery Act funding period had ended.

Natrona County and its subcontractors did not have written policies and procedures to ensure that the subcontractors collected and maintained documentation to support their recipient eligibility determinations. In addition, Natrona County did not have written policies and procedures to ensure that it expended CSBG Recovery Act funds before the end of the funding period. As a result, the State agency overstated its claim to the CSBG Recovery Act grant by a total of \$104,971.

In addition, we noted internal control weaknesses related to Natrona County's:

- monitoring of subcontractors,
- segregation of duties,
- check authorizations, and
- uninsured bank accounts.

Natrona County's lack of policies and procedures regarding eligibility determinations and internal control weaknesses related to the monitoring and safeguarding of assets did not ensure that Natrona County conformed to the terms of the grant and applicable Federal requirements.

INADEQUATELY SUPPORTED GRANT-FUNDED PAYMENTS

Natrona County and its subcontractors claimed \$102,121 in CSBG Recovery Act funds that was unallowable because Natrona County distributed these funds to recipients without adequately supporting their eligibility for rental assistance, summer camp, and after-school programs.

Federal Requirements

Section 673(2) of the COATES Act states: "Whenever a State determines that it serves the objectives of the block grant program established under their subtitle, the State may revise the poverty line to not to exceed 125 percent of the official poverty line otherwise applicable under this paragraph."

For Federal fiscal years 2009 and 2010, States and the eligible entities that administer the CSBG program at the local level could, as authorized by the Recovery Act, increase that income eligibility level to 200 percent of the Federal poverty level.

Federal cost principles (2 CFR part 230, App. A, § A.2.) state: “To be allowable under an award, costs must meet the following general criteria: g. Be adequately documented.”

In addition, Federal regulations (45 CFR § 96.30(a), *Fiscal and Administrative Requirements*), state: “Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authoring the block grant.”

Federal regulations (45 CFR § 74.21(b)(3)) state that CAAs’ financial management systems shall provide effective control over and accountability of all funds, property, and other assets so that CAAs adequately safeguard all such assets and ensure that they are used solely for authorized purposes.

Federal regulations (45 CFR § 74.21(b)(6)) state that CAAs’ financial management systems shall provide written procedures for determining the allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

State Requirements

The Recovery Act State plan, *Eligible Population*, states: “The Recovery Act authorizes the State, and its eligible entities, to set the income limit for eligibility to administer CSBG services at up to 200% of the Federal poverty level.”

Inadequately Supported Eligibility Determinations

Unallowable Rental Assistance Costs

Natrona County did not always ensure that CSBG Recovery Act funds were used to provide rental assistance services only to eligible recipients. Specifically, Natrona County relied on the word of individuals in making eligibility determinations instead of verifying eligibility through supporting documentation. Of the 30 vouchers totaling \$109,580 that we reviewed, 25 vouchers totaling \$91,407 did not have supporting eligibility documentation such as pay statements or tax documents. For two other vouchers totaling \$2,842, the recipients’ physical addresses could not be verified at the time rental assistance was provided. The unallowable costs for these 27 vouchers totaled \$94,249. The remaining three vouchers totaling \$12,481 for rental services did not have income documentation issues.

Unallowable Summer Camp and After-School Program Costs

Natrona County entered into grant award agreements with two subcontractors² and subsequently claimed unallowable CSBG Recovery Act funds. Specifically, Natrona County claimed a total

² The Boys and Girls Club and the Young Men’s Christian Association (YMCA), both located in Casper, Wyoming.

of \$22,959 in summer camp and after-school costs for 51 recipients.³ Of the \$22,959, the amount of \$7,872—which Natrona County claimed for 17 of the 51 recipients—was unallowable. The \$7,872 in claimed costs was unallowable because the two subcontractors distributed those funds to recipients without adequately supporting, with documentation, the subcontractors’ eligibility determinations for the 17 recipients.

Lack of Policies and Procedures

Natrona County and its subcontractors did not have policies and procedures to ensure that the subcontractors collected and maintained documentation to support their eligibility determinations as required by Federal regulations and the terms of the grant agreements.

Natrona County officials told us that Natrona County is currently drafting policies and procedures to ensure that subcontractors collect and maintain support of their eligibility determinations.

FUNDS EXPENDED AFTER END OF GRANT AWARD PERIOD

Natrona County claimed \$2,850 in CSBG Recovery Act funds that was unallowable because Natrona County distributed these funds to recipients after the CSBG Recovery Act funding period had ended.

Federal Requirements

The HHS Grants Policy Statement defines “cash basis” as an accounting method in which revenue and expenses are recorded on the books of account when received and paid, respectively, without regard to the period in which they are earned or incurred. This accounting method is distinguished from the accrual basis of accounting.

ACF’s Office of Community Services’ Information Memorandum, Transmittal 109, *Obligating and Expending Funds*, states that “... if using a cash accounting system, services must be provided on or before September 30, 2010 and final report is due on or before December 29, 2010.”

Unallowable Payments Made After End of Grant Award Period

Natrona County used the cash basis of accounting for its expenditures but did not provide all rental assistance services claimed on or before September 30, 2010, when expending CSBG Recovery Act funds, as required by the Federal guidelines cited just above. Specifically, 10 vouchers totaling \$14,951 were for rental assistance services that were provided after the CSBG Recovery Act funding period of September 30, 2010, and that were therefore unallowable. We are already questioning the costs (totaling \$12,101) associated with 8 of the 10 vouchers because of the inadequately supported eligibility determinations. We are thus also questioning the costs

³ The Boys and Girls Club had 37 recipients for whom Natrona County claimed costs totaling \$20,082 and the YMCA had 14 recipients for whom Natrona County claimed costs totaling \$2,877.

associated with the other two vouchers, totaling \$2,850, that were in error solely because the rental services were provided after the end of the CSBG Recovery Act funding period.

Natrona County did not have written policies and procedures to ensure compliance with the provisions of the Recovery Act. Natrona County officials indicated that they believed that the payments for the rental services were allowable because the payments were made within Natrona County's fiscal year.

INADEQUATE INTERNAL CONTROLS

In addition to the questioned costs discussed above, we noted internal control weaknesses related to Natrona County's:

- monitoring of subcontractors,
- segregation of duties,
- check authorizations, and
- uninsured bank accounts.

No On-site Monitoring

According to the State agency's CSBG Recovery Act State plan, CAAs "... will be held responsible for ensuring that they will monitor their [subcontractors] both through desk monitoring (fiscal and performance reports) and on-site monitoring." The 2009—2010 grant award agreement between the State agency and Natrona County states that Natrona County: "... shall maintain an oversight capability of all service providers to monitor and evaluate the fiscal and performance activities and to determine program compliance with all applicable laws, rules, regulations, and policies."

During our review period, and contrary to the provisions of the State plan and the 2009—2010 grant award agreement with the State agency, Natrona County did not perform any on-site monitoring of its subcontractors to ensure program compliance. As a result, Natrona County could not ensure that CSBG Recovery Act funds were directed toward the uses and purposes for which they were, under the provisions of the Recovery Act, intended. Further, Natrona County could not ensure that subcontractors maintained documentation supporting their eligibility determinations for recipients.

Inadequate Segregation of Duties

Federal regulations (45 CFR § 74.21(b)(3)) state that CAAs' financial management systems shall provide for effective control over and accountability for all funds, property, and other assets. Statements of Federal Financial Accounting Concepts and Standards (June 30, 2008) state: "Control activities are the policies and procedures designed to ensure that management directives are carried out. Control activities have various objectives and are applied at various organizational and functional levels. Control activities can include physical controls, segregation of duties, performance reviews, and information processing." The American Institute of

Certified Public Accountants' Statement of Auditing Standards 316.85(b), *Opportunities*, identifies inadequate segregation of duties as a control risk for fraud.

Natrona County did not always have adequate segregation of duties in its financial management system. Specifically:

- Natrona County allowed the same employee to receive cash and deposit it into Natrona County's bank account.
- In addition, on several occasions Natrona County's employees, rather than the vendors themselves, signed vouchers for the vendors in the space provided for the vendors to certify expenditures. Natrona County stated that it allowed its employees to sign the vendor portion of the vouchers as a matter of convenience.
- One of the Board members was an employee of the bank used by Natrona County for its checking and non-federally insured investment accounts. Although two signatures were required for signing checks, the Board member signed at least two checks and submitted them for processing without obtaining a second signature. In addition, the Board member had authority to sign checks for Natrona County even though the Board member was an employee of the bank that processed the checks, thus creating a conflict of interest.

Natrona County's financial management policies and procedures were inadequate to ensure that duties were properly segregated in conformance with Federal requirements. Non-compliance with the Federal and State regulations and guidelines could put CSBG Recovery Act funds at risk for fraud, waste, and abuse.

Check Authorization Procedures Not Consistently Followed

Federal regulations (45 CFR § 74.21(b)(3)) state that CAAs' financial management systems shall provide for effective control over and accountability for all funds, property, and other assets. In addition, Natrona County's financial management policies and procedures, "Disbursements From Bank Accounts," "Check Signing" (section 1.2.2), states:

If the Payment Request is \$5,000 or less, either one signature is required, the Director's, or two signatures are required both from officers of the board. When the Payment Request is over \$5,000 two signatures are required, one from the Director and one from a officers [*sic*] on the board, or two from officers of the board. [Emphasis in original.]

Natrona County did not always follow its policies and procedures for payments of \$5,000 and greater that used CSBG Recovery Act funds. Specifically, three checks for \$5,000 or more did not have two signatures as required by Natrona County's policies and procedures. During the months of November and December 2009, Natrona County issued three checks (in the amounts of \$7,268, \$5,780, and \$8,496) from CSBG Recovery Act funds. In each of these three cases, Natrona County issued the check with only one signature although two signatures were required. Further, during the months of August and September 2010, Natrona County issued two checks

for less than \$5,000 with only one Board member's signature. Natrona County did not follow Federal guidelines and its own policies and procedures to adequately safeguard CSBG Recovery Act funds. As a result, CSBG Recovery Act funds were at an increased risk of loss.

Uninsured Bank Accounts

Federal regulations (45 CFR § 74.22(i)(2)) state that CAAs are required to deposit and maintain advances of Federal funds in insured accounts whenever possible. In addition, Federal Deposit Insurance Corporation (FDIC) policy states that deposits owned by a corporation, partnership, or unincorporated associations are insured up to \$250,000 at a single bank.

Federal regulations (45 CFR § 74.21(b)(3)) state that CAAs' financial management systems shall provide effective control over and accountability of all funds, property, and other assets so that CAAs adequately safeguard all such assets and ensure that they are used solely for authorized purposes.

Natrona County did not ensure that it met Federal requirements for maintaining bank deposits in insured accounts. Natrona County maintained FDIC-insured checking and non-federally insured investment bank accounts for all grant funds, including the CSBG Recovery Act funds. Grant payments were initially deposited in the checking account and were transferred each night to the investment account. When funds were needed to cover checks in the checking account, Natrona County initiated an automatic transfer from the investment account to the checking account to cover the incoming checks.

Natrona County's financial management policies and procedures did not include measures to ensure that its bank accounts did not exceed the FDIC-insured limit of \$250,000. Our review of 11 monthly bank statements indicated that Natrona County's checking account balances complied with the FDIC-required deposit limit of \$250,000. However, Natrona County's investment account was not federally insured. As a result, Federal funds deposited in the investment account were subject to an increased risk of loss in the event of a bank failure.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment to ACF of \$104,971 for costs claimed by Natrona County that did not conform to the terms of the Recovery Act grant and applicable Federal requirements, and
- ensure that Natrona County either develops or implements policies, procedures, and related internal controls regarding eligibility determinations, funds management, and monitoring of the CSBG program.

COMMUNITY ACTION PARTNERSHIP OF NATRONA COUNTY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, Natrona County did not directly address our recommendations. Natrona County addressed each of our findings and described corrective actions that it had taken or planned to take.

A summary of Natrona County's main points of disagreement and our responses follows.

Natrona County's comments appear in their entirety as Appendix A.

After reviewing Natrona County's comments, we maintain that our findings and recommendations remain valid.

Inadequately Supported Eligibility Determinations

Community Action Partnership of Natrona County Comments

Natrona County discussed our finding on inadequately supported eligibility determinations in terms of both residency requirements and income verification. Natrona County said that it received no guidance or instruction from the State of Wyoming regarding residency requirements, and as a result Natrona County provided assistance based on its own policy. Natrona County stated that in so doing, it was in compliance with eligibility determination requirements based on its State plan and the grant award agreement. Natrona County added that it required that each applicant provide a physical address on the assistance application and that it served only individuals who were currently residing in Natrona County.

Regarding income verification, Natrona County said that its State plan and the grant award agreement do not require it to verify income using the Income Eligibility Verification System (IEVS). Natrona County stated that its policy required gathering at least 90 days of income statements from all clients to verify their income eligibility. Natrona County also said that neither the State CSBG plan nor the grant award agreement requires Natrona County to access the IEVS.

Regarding our description of a lack of policies and procedures as the cause of the inadequately supported eligibility determinations, Natrona County stated that the issues connected to its policies and procedures with subcontractors were inaccurate. Natrona County further stated that its subcontractors did not determine eligibility or gather supporting eligibility documentations. Natrona County added that it believed that it had complied with its agreements with the summer camp and after-school program providers by reimbursing them for their expenses for services provided to eligible individuals.

Office of Inspector General Response

We disagree with Natrona County concerning the adequacy of its supporting eligibility determination documentation. Notwithstanding Natrona County's statement that it received no

guidance or instruction from the State of Wyoming, we based our finding on the fact that Natrona County did not meet the documentation requirements of the Federal cost principles. Specifically, Natrona County relied on the word of individuals in making eligibility determinations instead of verifying eligibility through supporting documentation. In many cases, Natrona County did not have supporting eligibility documentation such as pay statements or tax documents.

With respect to Natrona County's comments on income verification as an aspect of the issue of eligibility determinations, we acknowledge that during our fieldwork we discussed the potential for using the IEVS to verify recipient income. However, neither our draft report nor this final report makes a recommendation that involves or requires access to the IEVS. The criteria and our finding on the \$94,249 in unallowable rental assistance costs speak in terms of the documentation requirements associated with income verification as an aspect (along with verification of residency) of the required eligibility determination. We cannot advise Natrona County on which policies and procedures it ultimately implements to meet the documentation requirements of the Federal cost principles. However, we assert that, to be compliant with the Federal cost principles, Natrona County must maintain income and residency documentation which supports that the recipient met the eligibility requirements.

Regarding our stated cause of the inadequately supported eligibility determinations, we continue to believe that neither Natrona County nor its subcontractors had adequate policies and procedures to ensure that the subcontractors collected and maintained documentation to support their eligibility determinations as required by Federal regulations and the terms of the grant agreements. The claimed costs were unallowable because the two subcontractors distributed funds to individuals but could not provide us with adequate support, with documentation, that either Natrona County or the subcontractors had made eligibility determinations to ensure that grant funds were used to provide services only to eligible recipients. Further, at the time of our audit, Natrona County officials told us that they were currently drafting policies and procedures to ensure that subcontractors collect and maintain support of their eligibility determinations.

Funds Expended After End of Grant Award Period

Community Action Partnership of Natrona County Comments

Natrona County acknowledged that it had expended funds after the end of the grant award period. Natrona County said that this issue had been identified during its annual audit in fiscal year 2011 and added that it changed its procedure in October 2011 to ensure that this error would not be repeated.

Office of Inspector General Response

While we acknowledge Natrona County's corrective actions for revising its policies and procedures, nothing in Natrona County's comments caused us to change our finding or the associated recommendation.

Inadequate Internal Controls

Community Action Partnership of Natrona County Comments

Natrona County provided information that acknowledged most of the internal control weaknesses that we identified and that described improvements in its procedures. Specifically, regarding on-site monitoring, Natrona County stated that it had revised its policy and now requires at least one on-site visit with all subcontractors. Regarding segregation of duties, Natrona County stated that it had revised its procedures and now requires the program manager to create the deposit slip after the receptionist has opened the mail. Natrona County also acknowledged that on several occasions (involving its utility companies), its employees, rather than the vendors themselves, signed vouchers. Natrona County described its revised procedures for such instances. However, Natrona County disagreed with a statement in our report concerning cash receipts, stating that it does not receive cash in its office.

Regarding our finding that check authorization procedures had not always been followed, Natrona County acknowledged this error and said that it had been addressed through training and revised procedures. Finally, regarding uninsured bank accounts, Natrona County acknowledged that it used an investment account (which Natrona County called a “sweep account”) to generate interest on funds not being used. Natrona County also stated that its auditors had reviewed the investment account and determined that the accounts were acceptable because Natrona County only invested its funds in U.S. Government bonds. Natrona County added, though, that it would be closing the investment account.

Office of Inspector General Response

While we acknowledge Natrona County’s corrective actions for revising its policies and procedures to address the internal control weaknesses identified in this report, we would like to respond to two of those comments regarding the internal control weaknesses that we had identified. First, at several instances during our fieldwork, Natrona County staff stated to us that they in fact received and reconciled cash and check receipts. Natrona County did not provide us with any additional documentation supporting the assertion in its written comments that it did not receive cash in its office. Second, we disagree with Natrona County that its investment account (which Natrona County said in its written comments that it would be closing) was adequately insured. During our fieldwork, Natrona County staff told us that part of this account was invested in non-government securities; therefore, Federal grant funds would be at risk if the bank were to default.

We maintain that all of our findings remain valid and continue to recommend that the State agency ensure that Natrona County has developed and implemented the necessary policies, procedures, and related internal controls regarding monitoring of the CSBG program.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency disagreed with our first recommendation regarding a financial adjustment to ACF of \$104,971 for costs claimed by Natrona County that we had questioned. The State agency agreed with our second recommendation and described corrective actions that it had taken or planned to take. A summary of the State agency's comments and our response follows.

The State agency's comments appear in their entirety as Appendix D.

After reviewing the State agency's comments, we maintain that our findings and recommendations are valid.

Inadequately Supported Grant-Funded Payments

State Agency Comments

The State agency prefaced its specific comments on our draft report by saying that it did not have the original client application files or reimbursement billing documentation from Natrona County and "... can only make considerations according to the information provided."

The State agency did not agree with our finding that 27 vouchers totaling \$94,249 were unallowable because Natrona County's rental assistance program lacked documentation to support its eligibility determinations for the program. The State agency summarized Natrona County's documentation requirements and added that Natrona County "... maintains that it complied with eligibility determinations regarding residency requirements and income verification ..." but also stated that Natrona County lacked policies and procedures in this regard.

In addition, the State agency said we advised Natrona County to use the IEVS when this system was not used or available. The State agency also said that it needed more information regarding unverifiable addresses and that it would provide training and technical assistance to strengthen Natrona County's policies and procedures.

The State agency also disagreed with our finding that 17 vouchers totaling \$7,872 were unallowable because Natrona County's after-school and summer day camp programs lacked documentation to support its eligibility determinations for those programs. The State agency stated that both of the subcontractors retained on-site individual applications containing family income data and that Natrona County required contractual agreements for both subcontractors to provide services only to eligible individuals. The State agency also said that policies and procedures concerning the collection of supporting documentation did not exist and that Natrona County was now developing these policies and procedures. The State agency further stated that it would provide training and technical assistance for the development of these policies and procedures.

Office of Inspector General Response

Regarding the State agency's prefatory statement that it did not have the original client application files or reimbursement billing documentation from Natrona County, we note that while the actual files and billing documentation may have resided in Natrona County, the Recovery Act required the State agency to monitor the CAAs to which it awarded grant funds. The Catalog of Federal Domestic Assistance, No. 93.710, for the Recovery Act CSBG program states: "The State also must describe how it will incorporate monitoring of Recovery Act funds into its regular monitoring of CSBG eligible entities. This includes descriptions of how the State will monitor restrictions on administrative expenses, eligible recipients, board requirements for community action agencies and other nonprofit organizations, fiscal control, monitoring..." (emphasis added).⁴ In addition, ACF guidance for the administration of CSBG Recovery Act funds states that "States are required to monitor eligible entities' administrative, financial and program operations as prescribed in the CSBG Act."⁵ Therefore, the State agency was responsible to exercise adequate oversight by ensuring that Natrona County (and other CAAs) correctly monitored the CSBG program.

In light of these Federal guidelines, we maintain that our findings and recommendations are valid. Specifically, Natrona County is required to maintain documentation to support its eligibility determinations. While the State agency's comments described Natrona County's documentation requirements, Natrona County was not able, either during our fieldwork or afterward, to provide documentation demonstrating that the recipients of the services in question met the eligibility requirements. We reviewed the application files related to the 30 vouchers that we judgmentally selected. Our review of the application files found that the eligibility determinations for 25 of the 30 vouchers were not adequately supported with income eligibility documentation. In addition, the application files for two other vouchers did not have documentation supporting that the recipients met residency requirements. More vigorous monitoring and oversight on the part of the State agency would have given the State agency a greater opportunity to identify these deficiencies.

With respect to the State agency's comments on income verification as an aspect of the issue of eligibility determinations, we acknowledge that during our fieldwork we discussed the potential for using the IEVS to verify recipient income. However, neither our draft report nor this final report makes a recommendation that involves or requires access to the IEVS. We therefore continue to recommend that Natrona County refund the \$102,121 related to unallowable costs.

⁴ Catalog of Federal Domestic Assistance
<https://www.cfda.gov/?s=program&mode=form&tab=step1&id=7a4609448404d3d601806d0be30341eb> (accessed June 4, 2013).

⁵ CSBG ARRA Questions and Answers, Reporting and Monitoring, Question 6
<http://www.acf.hhs.gov/programs/ocs/resource/csbg-arra-questions-and-answers-i?page=all> (accessed June 5, 2013).

Funds Expended After End of Grant Award Period

State Agency Comments

The State agency agreed with our finding that rental assistance services were improperly provided after the end of the Recovery Act funding period. According to the State agency, this issue was previously identified during an OMB Circular A-133 audit⁶ and Natrona County implemented changes at that time to ensure that the error would not occur again.

Office of Inspector General Response

We note that although the State agency agreed with this finding, it did not agree with any part of our recommendation to refund \$104,971, of which the costs associated with this finding form a part. We also note that neither Natrona County nor the State agency provided us with any documentation supporting that any of the funds associated with this funding were refunded. We therefore continue to recommend that the State agency refund the \$2,850 in unallowable costs.

Inadequate Internal Controls

State Agency Comments

The State agency agreed with our findings concerning lack of on-site monitoring, inadequate segregation of duties, and check authorization procedures not being followed, and described corrective actions that it said Natrona County had taken. The State agency said that it would provide training and technical assistance as needed for all of the internal control findings that we had identified.

However, the State agency disagreed with our finding concerning uninsured bank accounts. The State agency reiterated what Natrona County had stated in its comments: that its auditors determined that the investment account in question was acceptable but due to our audit, the account was closed.

Office of Inspector General Response

While acknowledging Natrona County's efforts to improve monitoring of its subcontractors, and procedures for check receipts and voucher and check signatures, we disagree with the State agency concerning the investment account. Again, during our fieldwork, Natrona County staff stated (and we confirmed) that part of this account was invested in non-government securities; therefore, Federal grant funds would have been at risk if the account had remained open and the bank were to default. We note, too, that Natrona County closed this account after we had brought this issue to its attention.

⁶ OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, describes non-Federal entities' responsibilities for managing Federal assistance programs and the auditors' responsibilities with respect to the scope of audits. Auditors are required to follow the provisions of OMB Circular A-133. http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf (accessed June 5, 2013).

We maintain that all of our internal control findings remain valid and continue to recommend that the State agency ensure that Natrona County develop and implement the necessary policies, procedures, and related internal controls regarding monitoring of the CSBG program.

Technical Comments

State Agency Comments

The State agency included two technical comments in its written response to our draft report. The State agency said that Natrona County is a private nonprofit CAA, rather than a public nonprofit CAA as stated in our report. The State agency also said that Recovery Act funds were allocated for the time period beginning October 1, 2009, rather than July 1, 2009, as stated in our draft report.

Office of Inspector General Response

Concerning whether Natrona County is a private or public nonprofit CAA, Natrona County's bylaws describe Natrona County as a "public" entity. As for the grant award period, we relied on Natrona County's grant award agreement with the State agency which shows the award period as July 1, 2009, through September 30, 2010. With these considerations in mind, we elected not to change language in our final report based on the technical comments that the State agency provided.

APPENDIXES

APPENDIX A: GRANTEE COMMENTS



Community Action Partnership of Natrona County

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Casper, Wyoming 82601
PHONE: 307-232-0124
FAX: 307-232-0145
E-Mail: cap@natronacounty-wy.gov
<http://www.capnc.org>

12th Street HCH Clinic
1514 East 12th Street, Suite 201
Casper Wyoming 82601
PHONE: 307-235-6116
FAX: 307-235-0249
E-Mail: hch@natronacounty-wy.gov
<http://www.capnc.org/services/Clinic.html>

Life Steps Transitional Housing
1514 East 12th Street, Suite 200
Casper Wyoming 82601
PHONE: 307-235-4703
FAX: 307-235-4817
<http://www.capnc.org/services/housing.html>

January 30, 2013

Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region VII
601 E. 12th Street, Room 0429
Kansas City, MO 64106

Re: A-07-12-02779

To Whom It May Concern:

Community Action Partnership of Natrona County has reviewed Draft Report A-07-12-02779. This letter serves to provide a response to the findings.

Inadequately Supported Eligibility Determination – According to the audit, our agency did not have appropriate supporting eligibility documentation. Based on the discussions we had with the auditors in our office, our understanding is that this finding is connected to two issues: income verification and residency documentation.

We were advised at that time that we were required to have documentation in each file to verify residency. We require a physical address for each applicant on the Assistance Application, as we serve only individuals who are currently in Natrona County and intend to reside in Natrona County. Our office has reviewed the State of Wyoming CSBG Plan and our Grant Award Agreement with the State of Wyoming. We were provided no guidance or instruction from the state concerning residency. As a result, our agency provides assistance based on our policy – serving individuals presently in Natrona County and requesting assistance for residency in Natrona County. Based on our state plan and our grant award agreement, we are in compliance with the requirements we were given. The state did not define residency in any manner, including length of time in the community, or provide



instruction as to what documentation was required to prove residency. Our agency's practice is to ensure that assistance is provided to someone currently in Natrona County seeking rental assistance for a Natrona County rental unit. If an individual is seeking assistance for a residential unit outside of Natrona County, the individual is referred to the CSBG service provider in that community.

Our discussion with the auditors also focused on our lack of income verification connected to Income Eligibility Verification System (IEVS). Our policy is to gather no less than 90 days of income statements from all clients. When a client states they have no income, we require each client to sign a Certification of Zero Income, as they have no documentation to provide. On August 16, 2012, we conducted a meeting with our representative from the State of Wyoming CSBG Office. We requested information from her concerning how we comply with the IEVS Income Verification requirement. The state representative had no knowledge of the IEVS System. Our office also reviewed the State of Wyoming CSBG Plan and the State of Wyoming Grant Award agreement. Nowhere in either document are we required to access the IEVS. We have requested that we have access to this system in response to this report; however, to date, we have not been notified of availability.

Lack of Policies and Procedures – The issues connected to our policies and procedures with subcontractors was inaccurate. In our agreements with the afterschool and summer program providers, agreed to reimburse them for expenses to eligible individuals. The subcontractors did not determine eligibility, nor did they gather documentation. Any issues connected with inadequate documentation were connected to the same issues referenced above regarding residency and the IEVS system.

Funds Expended After End of Grant Award Period – This issue was connected to our agency operating on a cash basis. This issue was identified by our annual audit accounting firm during our FY 2011 audit. The errors we made in approving expenses were defined. Our program changed our procedure in October 2011 to ensure that this error will not be made again.

No On-Site Monitoring – Because our agency did not require the subcontractors to perform eligibility determination or gather supporting documentation, we did not perform on-site monitoring. In the future, Community Action Partnership of Natrona County will perform not less than one on-site visit with all subcontractors.

Inadequate Segregation of Duties – Although in the past the receptionist did receive checks and create the deposit, we now require the Program Manager to create the deposit slip after the mail has been opened by the receptionist. The report states that she received cash. We do not receive cash in this office.

The report also references that employees have signed vouchers rather than the vendor. This does happen with our utility companies. In the past we have attempted to have the utility company sign the voucher. The result of this was vouchers never being returned, even with multiple follow-up calls. In certain situations, clients would lose their electricity or heat as a result of the delays. To address the

issue, we now receive an email directly from the utility company verifying the amount due. The email is printed and maintained with the voucher. The employee then signs the voucher.

Check Authorization Procedures not Consistently Followed – The check signature issue in 2009 did occur. This occurred during the transition from the previous Executive Director and the current Executive Director. This error was addressed by ensuring the receptionist reviews all checks for signatures before they are placed in the mail. The checks that were issued with only one signature occurred when the receptionist did not recognize that even when a check is under \$5,000, two board member signatures are required. This has now been addressed with training.

Uninsured Bank Accounts – Community Action Partnership of Natrona County did use a sweep account in order to generate interest on funds not being used. This account was reviewed by our auditors; according to the auditors, the account we were using was acceptable, as it only invests funds in U.S. Government bonds. Since this report, we will now be closing the sweep account.

Although there have been errors with procedures in our office, Community Action Partnership has always worked to serve our clients in compliance with the State of Wyoming CSBG Annual Plan and the Grant Award Agreement we sign with the State of Wyoming. Since receiving this report, we are making several changes to our processes, as stated above. We are also adding a two more levels of review for all client files. Each client file will initially receive a peer review. After it has passed the peer review, it will be given to the CSBG Program Manager for file compliance review.

Please contact me with any questions.

Sincerely,



Brenda Eickhoff-Johnson
Executive Director

APPENDIX B: STATE AGENCY COMMENTS



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Thomas O. Forslund, Director

Governor Matthew H. Mead

May 31, 2013

Ref: WB-2013-188

Mr. Patrick J. Cogley
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region VII
601 East 12th Street, Room 0429
Kansas City, MO 64106

Re: Response to Draft Report Number: A-07-12-02779

Dear Mr. Cogley:

This letter and attachment are in response to the Office of Inspector General (OIG) Draft Report Number: A-07-12-02779, dated April 1, 2013, entitled "Not All Community Services Block Grant Costs Claimed on Behalf of the Community Action Partnership of Natrona County for the Period July 1, 2009 Through September 30, 2010 Were Allowable." The Wyoming Department of Health (WDH), Public Health Division, Community Services Program (CSP) appreciates the opportunity to respond and aims to resolve any issues quickly.

Any additional clarification regarding this response can be directed to Tricia Dean, Manager of the Community Services Program, at (307) 777-8940 or by email at tricia.dean@wyo.gov.

Sincerely,

Wendy E. Braund, MD, MPH, MSEd, FACPM
State Health Officer and Senior Administrator
Public Health Division
Wyoming Department of Health

Attachment: Wyoming Department of Health Response to the Office of Inspector General Draft Report A-07-12-02779

WB/TD/td

c: Brenda Eickhoff-Johnson, Executive Director, Community Action Partnership of Natrona County
Robert Peck, Chief Financial Officer, Wyoming Department of Health

State Health Officer • Public Health Division
6101 Yellowstone Road, Suite 420 • Cheyenne WY 82002
E-Mail: wdh@wyo.gov • WEB Page: www.health.wyo.gov
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Wyoming Department of Health Response to the Office of Inspector General Draft Report
A-07-12-02779

Community Services Program (CSP) is responsible for administering the funding from the United States Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Community Services (OCS) for the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (COATES Act), Public Law 105-285, reauthorized as the Community Services Block Grant (CSBG) to alleviate the causes and conditions of poverty within our communities. In Wyoming, funding flows to all 23 counties and the Wind River Reservation through 9 Local Governments, 5 private Community Action Agencies (CAAs), 3 private Non-CAAs, and 1 Tribal Organization. Each of the eligible entities are required to operate under a tripartite board and provide services and activities addressing education, emergency services, employment, health, housing, income management, linkages, nutrition, and self-sufficiency. Services are provided through approximately 150-175 service providers. CSP also administered the American Recovery and Reinvestment Act of 2009, Public Law 111-5 (ARRA) which provided additional funding for CSBG related services.

GENERAL COMMENTS AND INACCURACIES

Community Action Partnership of Natrona County (CAPNC) is a private non-profit CAA rather than a public non-profit CAA.

ARRA funds were allocated for the period of October 1, 2009 through September 30, 2010 rather than beginning July 1, 2009. The ARRA Contracts were effective starting October 1, 2009, therefore no ARRA funds were expended prior to this time and no ARRA activities or supportive services were provided before the effective date.

STATEMENTS ADDRESSING FINDINGS

Of the \$853,703 awarded to CAPNC for the purpose of carrying out ARRA related activities, CSP understands that \$104,971 was identified as unallowable and will specifically address each concern. It is also important to note that CSP does not have the original client application files or reimbursement billing documentation from CAPNC and can only make considerations according to the information provided.

FINDING 1: INADEQUATELY SUPPORTED GRANT-FUNDED PAYMENTS

Unallowable Rental Assistance Costs

CAPNC provided emergency rental assistance to low-income individuals and families in need. As stated on Page 5 of the draft report, CAPNC did not always ensure that recipients were eligible prior to providing the ARRA funded rental assistance. Specifically, CAPNC accepted verbal statements from clients rather than verifying eligibility through supporting documentation. Of 30 vouchers totaling \$109,580 that were reviewed, 25 totaling \$91,407 did not have supporting eligibility documentation such as pay statements or tax documents. Recipients' physical addresses could not

be verified at the time rental assistance was provided in regards to 2 other vouchers totaling \$2,842. The unallowable costs for these 27 vouchers totaled \$94,249.

CSP does not agree with this finding. CAPNC required a physical address for each applicant and served only those individuals residing in Natrona County. CAPNC required no less than 90 days of income statements from all applicants or in the event an applicant had no income a signed certification and determined eligibility as required according to the Federal poverty level. CAPNC was advised by the OIG auditors to use the Income Eligibility Verification System (IEVS) when this system is not used or available to CSBG in Wyoming. In regards to the unverifiable addresses, CSP requires additional information to understand the finding. CAPNC maintains that it complied with eligibility determinations regarding residency requirements and income verification, however, lacked policies and procedures to this regard. CSP will provide training and technical assistance to review, revise, and strengthen CAPNCs current policies and procedures to ensure continued compliance of the CSBG program.

Unallowable Summer Camp and After-School Program Costs

CAPNC subcontracted with Boys and Girls Club and Young Men's Christian Association (YMCA) to provide tuition assistance to children of low-income families for after-school and summer day camp programs. The draft report states that 51 vouchers were reviewed (37 Boys and Girls Club totaling \$20,082, and 14 YMCA totaling \$2,877) totaling \$22,959. Seventeen of the 51 vouchers totaling \$7,872 were considered ineligible due to inadequate documentation supporting the eligibility determinations.

CSP does not agree with this finding. Both the Boys and Girls Club and YMCA retain individual applications on-site that contain family income data. CAPNC also required contractual agreements for both agencies to provide services to only eligible individuals but agrees that policies and procedures to ensure that all subcontractors collected and maintained documentation to support eligibility determinations did not exist. CAPNC is currently drafting policies and procedures. CSP will provide training and technical assistance for the development and implementation of the required policies and procedures.

FINDING 2: FUNDS EXPENDED AFTER END OF GRANT AWARD PERIOD

CAPNC used a cash basis of accounting for ARRA, which ended September 30, 2010. Page 6 of the draft report alleges that CAPNC did not provide all rental assistance services prior to the end of the grant. Specifically, 10 vouchers totaling \$14,951 were for rental assistance services provided after September 30, 2010 and therefore were considered unallowable. Eight of the 10 vouchers totaling \$12,101 are already associated with questioned costs in Finding 1, leaving an amount of \$2,850 attached to this Finding.

In accordance with CAPNC, CSP agrees with this finding. This issue was previously identified during the CAPNC annual A-133 audit and changes were implemented at that time to ensure this error would not occur again. CSP will provide training and technical assistance as needed.

FINDING 3: INADEQUATE INTERNAL CONTROLS**No On-Site Monitoring**

As stated on Page 7 of the draft report, CAPNC did not provide the required on-site monitoring of its subcontractors to ensure program compliance. As a result, CAPNC could not ensure ARRA funds were directed toward the uses and purposes intended. Further, CAPNC could not ensure that subcontractors maintained documentation supporting their eligibility determinations for recipients.

In accordance with CAPNC, CSP agrees to this finding. CAPNC agreed to conduct at least one on-site monitor for each of their subcontractors annually. CSP will provide monitoring tools, forms, and training and technical assistance as needed.

Inadequate Segregation of Duties

Also on Page 7, the draft report states that CAPNC did not always have adequate segregation of duties in its financial management system. Specifically, CAPNC allowed the same employee to receive cash and deposit it into the CAPNC bank account; consented to CAPNC employees signing vouchers in the space specified for the vendors to certify expenditures; and authorized a board member, who also is an employee at the CAPNC bank, to cash checks requiring 2 signatures with only the board member's name attached creating a conflict of interest.

In accordance with CAPNC, CSP agrees to this finding. CAPNC noted that no cash is ever received in their office, but a change has been implemented requiring the Program Manager to create a deposit slip after the mail has been opened by the receptionist. CAPNC acknowledged that employees were signing utility company vouchers in an effort to prevent client shut-off, to rectify this process the utility company now sends an email verifying the amount due which can be attached to the voucher and an employee signature is acceptable. CAPNC also admitted that prior to the receptionist realizing two signatures were required checks were authorized with only one signature attached; this has now been addressed with training. CSP will provide training and technical assistance as needed.

Check Authorization Procedures Not Consistently Followed

As stated on Page 8, the draft report states that CAPNC did not always follow its policies and procedures for ARRA payments of \$5,000 and greater. Specifically, CAPNC issued three checks in the amounts of \$7,268, \$5,780, and \$8,496 during November and December of 2009 with only one signature attached even though two signatures were required. During the months of August and September 2010, CAPNC issued two more checks with only one board members' signature attached.

In accordance with CAPNC, CSP agrees with this finding. CAPNC admits that the check signature issue occurred during the Executive Director transition, but it has since been rectified with training. In addition, CSP will provide training and technical assistance as needed.

Uninsured Bank Accounts

Page 8 of the draft report also states that CAPNC financial management policies and procedures did not include measures to ensure that its bank accounts did not exceed the Federal Deposit Insurance Corporation (FDIC) daily limit of \$250,000. Specifically, the review of 11 monthly bank statements indicated that CAPNCs checking account complied with the FDIC daily limit; however, the investment account was not federally insured. As a result, funds that exceeded the FDIC limits were subject to an increased risk of loss in the event of a bank failure.

In accordance with CAPNC, CSP does not agree to this finding. CAPNC states that under the advice of their auditors the investment account they used was acceptable, but due to this audit the account was closed. CSP will provide training and technical assistance as needed.

RECOMMENDATIONS

The draft report suggests that CSP make a financial adjustment of \$104,971 to HHS, OCS, ACF for unallowable costs claimed by CAPNC that did not conform to the terms of ARRA. CSP does not concur with this recommendation for the reasons previously noted. Further, CSP respectfully requests that in the event it is determined that any adjustment be made, that it be made in payments rather than one lump sum to avoid a large reduction of CSBG related services in Natrona County, Wyoming.

Lastly, the draft report suggests that CSP ensure that CAPNC either develops or implements policies, procedures, and related internal controls regarding eligibility determination, funds management, and monitoring of CSBG. CSP concurs with this recommendation and will provide training and technical assistance to accomplish these requirements. As stated, CAPNC has already implemented some changes such as revising policies and procedures, strengthening client application requirements, adjusting internal fiscal procedures, closing an investment bank account, conducting annual monitoring for each subcontractor, and providing training. CSP agrees to provide CAPNC grant management training; assist in revising their policies and procedures; provide any requested training and technical assistance related to CSBG in a reasonable amount of time; and conduct a special review of CAPNC during FFY 2014 to ensure compliance of CSBG and the newly implemented processes.