

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CITIZENS FOR CITIZENS, INC.,  
GENERALLY CHARGED ALLOWABLE  
COSTS TO THE COMMUNITY SERVICES  
BLOCK GRANT PROGRAM AND THE  
COMMUNITY SERVICES BLOCK GRANT –  
RECOVERY ACT PROGRAM**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



**Michael J. Armstrong  
Regional Inspector General**

August 2012  
A-01-12-02501

# ***Office of Inspector General***

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## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. 105-285, authorized the Community Services Block Grant (CSBG) program to provide funds to alleviate 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. The CAAs provide services and activities that address employment, education, housing, nutrition, emergency services, health, and better use of available income. The CSBG program awarded \$620 million in fiscal year (FY) 2007, \$643 million in FY 2008, \$1.7 billion in FY 2009, and \$689 million in FY 2010.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, provided \$1 billion to ACF for the CSBG program. CSBG Recovery Act funds were distributed to CAAs using an existing statutory formula. The primary objective of the CSBG Recovery Act was to provide assistance to States and local communities working through a network of CAAs and other neighborhood-based organizations, for the reduction of poverty, revitalization of low-income communities, and empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

Section 676(a) of the CSBG Act requires each State to designate an appropriate State agency to act as the lead agency for carrying out the State's CSBG activities. The Massachusetts Department of Housing and Community Development (State agency) is the lead agency for the State's CSBG program during this audit period. The State agency is responsible for approving CAA Recovery Act grant applications and monitoring CAAs for compliance with program requirements. The State agency received \$24.9 million in Recovery Act funds for the State's CSBG program.

Citizens for Citizens, Inc. (CFC), is an independent nonprofit social service agency incorporated to administer programs and provide services to low and moderate income residents of Bristol County, Massachusetts, including the cities of Fall River and Taunton. Our review covered funds claimed by the State agency for CFC totaling \$875,904 in CSBG Recovery Act funds for the period July 1, 2009, through September 30, 2010, and \$582,405 in CSBG grant funds for the fiscal year ended September 30, 2010.

### **OBJECTIVE**

Our objective was to determine whether the State agency claimed selected CSBG Recovery Act and CSBG Act costs on behalf of CFC that were allowable under the terms of the grant and applicable Federal regulations.

## **SUMMARY OF FINDINGS**

Of the \$1,458,309 in CSBG Recovery Act and CSBG costs that the State agency claimed on behalf of CFC that we reviewed, \$1,447,540 was allowable under the terms of the grant and applicable Federal regulations. However, the State agency claimed \$10,769 in unallowable costs on behalf of CFC. The unallowable costs included:

- \$8,269 of CSBG Recovery Act Funds for unallowable benefit payments to individuals who were either ineligible or did not have sufficient documentation to prove eligibility and
- \$2,500 of CSBG funds for an unallowable donation.

These deficiencies occurred because CFC made clerical errors in calculating and documenting eligibility and miscoded a donation.

## **RECOMMENDATION**

We recommend that the State agency return to the Federal Government unallowable costs totaling \$10,769.

## **CITIZENS FOR CITIZENS, INC., COMMENTS**

In written comments on our draft report, CFC stated that it agreed with our findings. CFC's comments are included in their entirety as Appendix A.

## **STATE AGENCY COMMENTS**

In written comments on our draft report to the State agency, the State agency concurred with our findings and recommendations. The State agency's comments are included in their entirety as Appendix B.

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## INTRODUCTION

### BACKGROUND

#### **Community Services Block Grant Program**

The Community Opportunities, Accountability, and Training and Educational Services Act of 1998, P.L. 105-285, authorized the Community Services Block Grant (CSBG) program to provide funds to alleviate 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. The CAAs provide services and activities addressing employment, education, housing, nutrition, emergency services, and the better use of available income. The CSBG program awarded \$620 million in fiscal year (FY) 2007, \$643 million in FY 2008, \$1.7 billion in FY 2009, and \$689 million in FY 2010.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, provided \$1 billion for the CSBG program. Recovery Act funds for the CSBG program were distributed to CAAs using an existing statutory formula. The primary objective of these funds was to provide assistance to States and local communities, working through a network of CAAs and other neighborhood-based organizations, for the reduction of poverty, revitalization of low-income communities, and empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

#### **Massachusetts Department of Housing and Community Development**

Section 676(a) of the CSBG Act requires each State to designate an appropriate State agency to act as the lead agency for carrying out the State's CSBG activities. The Massachusetts Department of Housing and Community Development (State agency) is the lead agency to carry out State activities for the CSBG program. The State agency is responsible for approving CAA Recovery Act grant applications and monitoring CAAs for compliance with program requirements. The State agency received \$24.9 million in Recovery Act funds for the State's CSBG program.

#### **Citizens for Citizens, Inc.**

Citizens for Citizens, Inc. (CFC), is an independent nonprofit social service agency incorporated to administer programs and provide services to low and moderate income residents of Bristol County, Massachusetts, including the cities of Fall River and Taunton. During FY 2010, the State agency awarded CFC \$582,405<sup>1</sup> and \$875,904 in CSBG grant funds and CSBG Recovery Act funds for the period July 1, 2009, through September 30, 2010.

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<sup>1</sup> This amount includes an additional \$28,261 claimed which is a net carryover from a prior period.

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

### **Objective**

Our objective was to determine whether the State agency claimed selected CSBG Recovery Act and CSBG Act costs on behalf of CFC that were allowable under the terms of the grant and applicable Federal regulations.

### **Scope**

We reviewed \$1,458,309 claimed by CFC under its CSBG Recovery Act and CSBG Act agreements with the State agency for the period July 1, 2009, through September 30, 2010. This review is part of a series of audits planned by the Office of Inspector General to provide oversight of funds provided by the Recovery Act. We did not perform an overall assessment of CFC's internal control structure. Rather, we reviewed only the internal controls that pertained to our objective.

We performed fieldwork at CFC's facility in Fall River, Massachusetts, from November 2011 to March 2012.

### **Methodology**

To accomplish our objective, we:

- reviewed relevant Federal requirements;
- confirmed that CFC was not excluded from receiving Federal funds;
- reviewed the terms and conditions of the CSBG Recovery Act and CSBG Act agreements between CFC and the State Agency;
- reviewed CFC's Recovery Act State monitoring report dated November 16, 2010.
- reviewed CFC's policies and procedures related to the CSBG Recovery Act program;
- reviewed the minutes from CFC's board of directors meetings and organizational chart;
- reviewed CFC's annual Office of Management and Budget (OMB) Circular A-133<sup>2</sup> audit reports for FYs 2008 through 2010;
- reconciled CFC's CSBG Recovery Act and CSBG Act financial status reports for the year ended September 30, 2010, to its accounting records;

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<sup>2</sup> Per OMB Circular A-133, §\_200(a) non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year.



- judgmentally selected and reviewed 234 CSBG Recovery Act transactions totaling \$419,825 (\$60,039 in salary and related costs and \$359,786 in nonsalary costs) and reviewed 46 CSBG Act transactions totaling \$85,601 (\$47,514 in salary and related costs and \$38,087 in nonsalary costs) based on risk factors including whether the transactions:
  - were high dollar,
  - were for items usually considered unallowable (e.g., donations, costs labeled as other, etc.), or
  - appeared to be disproportionately allocated to the CSBG Recovery Act and CSBG program; and
- discussed findings with CFC officials.

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

## **FINDINGS AND RECOMMENDATION**

Of the \$1,458,309 in CSBG Recovery Act and CSBG costs that the State agency claimed on behalf of CFC and that we reviewed, \$1,447,540 was allowable under the terms of the grant and applicable Federal regulations. However, the State agency claimed \$10,769 in unallowable costs on behalf of CFC. The unallowable costs included:

- \$8,269 in CSBG Recovery Act funds for unallowable benefit payments to individuals who were either ineligible or did not have sufficient documentation to prove eligibility and
- \$2,500 in CSBG funds for an unallowable donation.

These deficiencies occurred because CFC made clerical errors in calculating and documenting eligibility and miscoded a donation.

## **UNALLOWABLE COSTS**

### **Federal Requirements**

Section 678D(a)(1)(B) of the CSBG Act requires that States that receive CSBG funds ensure that cost and accounting standards of the Office of Management and Budget (OMB) apply to a recipient of the funds under this subtitle. As a result, ACF determined that nonprofit CAAs are subject to 45 CFR pt. 74. Federal regulations at 45 CFR §74.27(a) state that the allowability of

costs for nonprofit organizations will be determined in accordance with 2 CFR pt. 230 (formerly OMB Circular A-122), *Costs Principles for Non-Profit Organizations*.

Pursuant to 2 CFR pt. 230, App. A, § A.2., on allowability of costs, to be allowable under a Federal award, costs must “conform to any limitations or exclusions as set forth in these principles or in the award as to types or amount of cost items” and must be documented. In addition, 2 CFR pt. 230, App. B, § 12.a., states that the use of Federal funds for donations is unallowable.

The Recovery Act, section 673(2), amended the CSBG Act to provide services during FYs 2009 and 2010 to families and individuals within 200 percent of the Federal poverty level (FPL).

### **Unallowable Benefit Payments**

For FYs 2009 and 2010, CFC submitted benefit payments to the State agency under the Recovery Act that were for ineligible individuals. CFC provided a total of \$111,777 in emergency rent payments and summer camp scholarships for low-income children. Of this amount, CFC submitted \$5,100 in CSBG Recovery Act costs for four ineligible individuals with income levels over 200 percent of the FPL. Specifically:

- three individuals received a total of \$4,900 in rental assistance, and
- one individual received \$200 in summer camp scholarships.

In addition, CFC submitted benefit payments to the State agency under the CSBG Recovery Act to individuals without sufficiently documenting eligibility. CFC provided a total of \$56,679 to area subgrantees to help pay low-income youth employees as part of a youth employment program and to provide summer camp scholarships for low-income children. However, CFC submitted \$3,169 in CSBG Recovery Act costs for nine individuals and could not provide documentation of eligibility. Specifically:

- one individual received \$1,069 in salaries and fringe for youth employment, and
- eight individuals received summer camp scholarships totaling \$2,100.

### **Unallowable Donation**

For the CSBG grant, CFC inadvertently submitted to the State agency \$2,500 in costs for an unallowable donation to an area community college for its annual charity breakfast which should have been charged to CFC’s private funds. CFC informed us that this expenditure should not have been charged to CSBG.

### **Unallowable Costs Limited Resources for Program Goals**

These deficiencies occurred because CFC made clerical errors in calculating and documenting eligibility and miscoded a donation. Because CFC charged \$10,769 in unallowable costs, it

could not use these funds to reduce poverty, revitalize low-income communities, or empower individuals to become fully self-sufficient.

### **RECOMMENDATION**

We recommend that the State agency return to the Federal Government unallowable costs totaling \$10,769.

### **CITIZENS FOR CITIZENS, INC., COMMENTS**

In written comments on our draft report, CFC stated that it agreed with our findings. CFC's comments are included in their entirety as Appendix B.

### **STATE AGENCY COMMENTS**

In written comments on our draft report to the State agency, the State agency concurred with our findings and recommendations. The State agency's comments are included in their entirety as Appendix B.

# **APPENDIXES**

APPENDIX A: CITIZENS FOR CITIZENS, INC., COMMENTS

JAMES E. DOLIN  
PRESIDENT

MARK A. SULLIVAN, JR.  
EXECUTIVE DIRECTOR

FRANK S. SULLIVAN  
DEPUTY EXECUTIVE DIRECTOR

ADMINISTRATIVE DIVISION

CITIZENS FOR CITIZENS, INC.  
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"An Equal Opportunity Employer"

July 2, 2012

Michael J. Armstrong  
Regional Inspector General for Audit Services  
U.S. Department of Health & Human Services  
Office of Inspector General  
Office of Audit Services, Region I  
JFK Federal Building  
15 New Sudbury Street, Room 2425  
Boston, Massachusetts 02203

RE: Citizens for Citizens, Inc. Response to Report Number A-01-12-02501

Dear Mr. Armstrong:

We are in receipt of the U.S. Department of Health and Human Services, Office of Inspector General (OIG), draft report entitled *Citizens for Citizens, Inc., Generally Charged Allowable Costs to the Community Services Block Grant Program and the Community Services Block Grant – Recovery Act Program* dated June 29, 2012.

Citizens for Citizens, Inc. is in agreement with all the findings that have been presented in this report and we are taking appropriate action in further strengthening our internal controls through increased training of our staff performing secondary reviews of eligibility determination and documentation.

Should you have any questions regarding this response, please contact our Chief Financial Officer, Cheryl White at (508) 679-0041.

Sincerely,

Mark A. Sullivan, Jr.  
Executive Director

Citizens For Citizens, Inc.  
508-679-0041  
264 GRIFFIN STREET, FALL RIVER, MASSACHUSETTS 02724



Commonwealth of Massachusetts  
DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT

Deval L. Patrick, Governor ◆ Timothy P. Murray, Lt. Governor ◆ Aaron Gomstein, Undersecretary

July 25, 2012

Michael J. Armstrong  
Regional Inspector General for Audit Services  
U. S. Department of Health & Human Services  
Office of Inspector General  
John F. Kennedy Federal Building  
Room 2425  
Boston, MA 02203

Re: Citizens for Citizens, Inc. - Response to Report Number: A-01-12-02501

Dear Mr. Armstrong:

The Department of Housing and Community Development (DHCD) is in receipt of the draft report entitled *Citizens for Citizens, Inc., Generally Charged Allowable Costs to the Community Services Block Grant Program and the Community Services Block Grant – Recovery Act Program* (Report).

We appreciate the opportunity to respond. We are pleased that Citizens for Citizens, Inc. (CFC) has concurred with the findings identified in the Report. DHCD is in agreement with the recommendations in the Report and will seek repayment of those costs from CFC in order to make the appropriate financial adjustments to the Federal Administration for Children and Families (ACF).

In response to the recommendations, we offer the following:

Recommendation #1: Make a financial adjustment to ACF of \$8,269 for CFC unallowable benefit payments that did not meet the terms of the CSBG Recovery Act funds and applicable Federal requirements.

Response: DHCD concurs with this recommendation, and will seek repayment from CFC in the amount of \$8,269, an amount CFC has already agreed to return to DHCD. With the returned funds, DHCD will make the appropriate financial adjustment.

Recommendation #2: Make a financial adjustment to ACF of \$2,500 for CFC unallowable donation that did not meet the terms of the CSBG funds and applicable Federal requirements.

Response: DHCD concurs with this recommendation, and will seek repayment from CFC in the amount of \$2,500, an amount CFC has already agreed to return to DHCD. With the returned funds, DHCD will make the appropriate financial adjustment.

As a follow-up to the Report, DHCD will work with CFC to ensure that only eligible clients receive services related to CSBG funds in the covered communities, and to monitor its progress in instituting policies and procedures that will ensure the agency operates in full compliance with state and federal requirements.

In closing, I would like to thank you for the opportunity to address the findings of your investigation.

Sincerely,



Aaron Gornstein  
Undersecretary