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United States Government Accountability Office
Washington, DC 20548

February 7, 2006

The Honorable Wade F. Horn
Assistant Secretary for Children and Families
U.S. Department of Health and Human Services

Subject: *Community Services Block Grant Program: HHS Needs to Improve Monitoring of State Grantees*

Dear Mr. Horn:

As you know, the House Committee on Education and the Workforce has asked GAO to review the administration of the Community Services Block Grant (CSBG) program. As part of this review, we are examining the Department of Health and Human Services' (HHS) efforts to monitor states' use of CSBG funds. Specifically, we have been reviewing efforts undertaken by HHS's Office of Community Services (OCS), which has primary responsibility for administering the CSBG program. The purpose of this letter is to bring to your attention concerns that we have about OCS' ability to effectively fulfill its CSBG monitoring responsibilities.

Under the Community Services Block Grant Act, as amended, OCS is required to evaluate several states' use of CSBG funds annually and issue reports on the results of those evaluations to the states and Congress. In addition, the standards pursuant to 31 U.S.C. section 3512(c), (d), commonly referred to as the Federal Managers' Financial Integrity Act of 1982, require federal agencies to establish and maintain internal controls to provide reasonable assurance that agencies achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.¹ In order to have sufficient internal controls, managers should have policies and procedures in place that, among other things, ensure that statutory responsibilities are fulfilled; agency information and communications are available, reliable, and timely; and staff have adequate training and skills.

In the course of our work to date, we found that OCS does not have the policies, procedures, and internal controls in place needed to carry out its monitoring efforts. Specifically, we found that

¹For more information on internal control standards, see GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington: D.C.: November 1999), and Office of Management and Budget, Circular No. A-123, *Management's Responsibility for Internal Control*, (Washington: D.C.: December 21, 2004).

- OCS staff that conduct monitoring visits told us they lacked the full range of necessary skills to perform these visits, and procedures are not in place to ensure that monitoring teams collectively have requisite skills. Specifically, CSBG staff told us they lacked the expertise needed to assess the financial operations of state CSBG programs—a key component of the CSBG monitoring process.
- OCS did not issue mandatory reports on monitoring results to any of the six states it visited during fiscal years 2003 and 2004. OCS officials informed us that they intend to issue reports for fiscal year 2005 visits. However, 6 months after completing these visits, OCS has yet to issue a final report to any state. Although OCS monitoring procedures direct staff to write reports after visits and send draft reports on their findings to state agencies for review and comment before final issuance, the procedures do not include instructions with regard to specific time frames for completing these steps.
- OCS cannot locate key documents pertaining to its monitoring visits of states conducted in 2003 and 2004. Although OCS officials stated that program files should include documentation of its monitoring visits, we found that OCS's file management policies do not include directions on retaining these monitoring documents. Additionally, officials told us that staff responsible for carrying out monitoring activities had retired and their files could not be located.
- OCS's most recent CSBG report to Congress, which covers fiscal years 2000 to 2003, did not include information on the results of its state evaluations, as required by statute. In its previous report to Congress, which covered fiscal year 1999, OCS provided information on these results and acknowledged that it is statutorily obligated to do so. Additionally, OCS has not been timely in issuing these reports and has not submitted them annually to Congress, as required. For example, OCS issued a consolidated report for fiscal years 2000 to 2003 in December 2005. Officials in OCS and the Administration for Children and Families' (ACF) Office of Legislative Affairs and Budget said that the report was issued just recently because of time lags in receiving data from states and the length of the agency's internal review process.

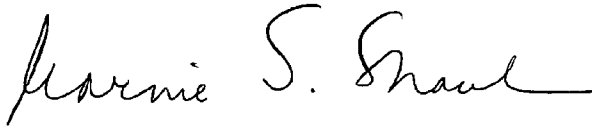
In conclusion, OCS's procedures and controls are not adequate to ensure that it performs its monitoring responsibilities in a timely and effective manner. As a result, states and congressional oversight committees are not receiving information that is required under law. States may not have made improvements to how they administer CSBG funds because they were not made aware of findings from OCS's evaluations. Furthermore, OCS's failure to provide timely reports that include the results of these evaluations hinders Congress' ability to carry out its oversight responsibilities. Also troubling is that OCS will not be able to produce this information for the years for which monitoring documentation has been lost. Finally, by sending staff without sufficient expertise in financial management on monitoring visits, OCS failed to ensure that states spent federal dollars appropriately.

In order to ensure that OCS has the internal controls to fulfill its CSBG monitoring responsibilities, we recommend that you instruct the director of OCS to establish formal written policies and procedures for

- ensuring that teams conducting monitoring visits include staff with requisite skills,
- ensuring the timely completion of monitoring reports to states,
- maintaining and retaining documentation of monitoring visits, and
- ensuring the timely issuance of annual reports to Congress.

We met with OCS and other ACF staff on February 2, 2006 and presented these findings. These staff had no comments on the findings but stated that they are beginning to undertake actions intended to address issues we raised with their monitoring efforts. In the meantime, we are continuing our review of the CSBG program. We will include the issues raised in this letter, and any actions that your agency has taken to resolve them, along with the other findings in our final report. If you or your staff have any questions about this correspondence, please contact me at (202) 512-7215.

Sincerely yours,

A handwritten signature in cursive script that reads "Marnie S. Shaul". The signature is written in black ink and is positioned below the "Sincerely yours," text.

Marnie S. Shaul
Director, Education, Workforce,
and Income Security Issues