

STATE OF CONNECTICUT
DEPARTMENT OF SOCIAL SERVICES
25 SIGOURNEY STREET • HARTFORD, CONNECTICUT 06106-5033

July 12, 2013

Patricia Wilson Pheanious
Norwalk Economic Opportunity Now, Inc.
98 South Main Street
Norwalk, CT 06854

Re: OIG Audit A-01-11-02510

Dear Ms. Pheanious:

The U.S. Department of Health and Human Services (DHHS) Office of Inspector General (OIG) has issued its audit report A-01-11-2510 in April 2013. This report was based on a review of \$513,779 that the Connecticut Department of Social Services (DSS) claimed on behalf of Norwalk Economic Opportunity Now, Inc. (NEON) under DSS' CSBG and CSBG Recovery Act agreements for the period July 1, 2009 through March 30, 2012. The OIG found that of the \$513,779 in CSBG and CSBG Recovery Act costs that DSS claimed on behalf of NEON and that was reviewed, \$199,174 was allowable under the terms of the grant and applicable Federal regulations. However, DSS claimed \$314,605 in unallowable costs on behalf of NEON. These costs included:

- \$144,319 for costs with inadequate documentation or that were not reasonable for the performance of the program;
- \$93,415 in indirect expenses charged to the grants based on an unallowable methodology;
- \$57,040 in operating costs that were not reasonable and renovation costs without a Federal waiver that did not meet program objectives;
- \$14,327 in prohibited lobbying, fundraising, and donations; and
- \$5,504 in missing equipment.

The report also recommended that DSS:

- return to the Federal Government unallowable costs, totaling \$314,605, that it claimed on behalf of NEON and
- ensure that NEON establishes and implements policies, procedures, and related internal controls to:
 - comply with all Federal grant requirements,
 - ensure that it charges only allowable costs to the CSBG program, and

- ensure that it follows generally accepted, sound business practices.

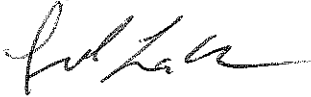
DSS' Office of Quality Assurance-Audit Division has reviewed the audit report and has determined, based on the information presented in the report, that the identified question costs in the amount of \$314,605 should have not been charged to CSBG or CSBG Recovery Act programs. The Department is requiring NEON to refund the questioned costs totaling \$314,605 that were identified in the OIG audit. These funds cannot be returned using Federal and state resources.

In addition, DSS requires NEON to submit to DSS policies and procedures and related internal controls that are currently in place that will ensure compliance with all Federal grant requirements, that it charges only allowable costs to the CSBG program, and that it follows generally accepted, sound business practices. These procedures should be approved by NEON's Board of Directors.

DSS is requesting that NEON return the \$314,605 in question costs and provide the approved procedures to DSS by July 26, 2013. The check should be made payable to the State of Connecticut Department of Social Services. If NEON is not able to return these funds by the due date, NEON should propose a payment plan to DSS by July 17, 2013. Depending on the proposed payment plan, DSS may request the DHHS Administration for Children and Families to offset the funds owed against future CSBG grants as provided under 42 USC Section 9916(a)(3) (see attached). The check (or proposed payment plan) and approved procedures should be mailed to DSS (see above address) to the attention of the Office of Quality Assurance-Audit Division.

If you have any questions or concerns, please contact me at 860.424.5855 or frank.larosa@ct.gov.

Sincerely,



Frank LaRosa
Director of Internal Audit
Office of Quality Assurance-Audit Division

cc: Roderick L. Bremby, Commissioner
Claudette J. Beaulieu, Deputy Commissioner
Raymond Singleton Jr., Deputy Commissioner
Astread O. Ferron-Poole, Chief of Staff
John F. McCormick, Director of Office of Quality Assurance
Dakibu Muley, Director of Integrated Services

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-CITE-

42 USC Sec. 9916

01/03/2012 (112-90)

-EXPCITE-

TITLE 42 - THE PUBLIC HEALTH AND WELFARE

CHAPTER 106 - COMMUNITY SERVICES BLOCK GRANT PROGRAM

-HEAD-

Sec. 9916. Fiscal controls, audits, and withholding

-STATUTE-

(a) Fiscal controls, procedures, audits, and inspections

(1) In general

A State that receives funds under this chapter shall -

(A) establish fiscal control and fund accounting procedures necessary to assure the proper disbursement of and accounting for Federal funds paid to the State under this chapter, including procedures for monitoring the funds provided under this chapter;

(B) ensure that cost and accounting standards of the Office of Management and Budget apply to a recipient of the funds under this chapter;

(C) subject to paragraph (2), prepare, at least every year, an audit of the expenditures of the State of amounts received under this chapter and amounts transferred to carry out the purposes of this chapter; and

(D) make appropriate books, documents, papers, and records available to the Secretary and the Comptroller General of the

United States, or any of their duly authorized representatives, for examination, copying, or mechanical reproduction on or off the premises of the appropriate entity upon a reasonable request for the items.

(2) Audits

(A) In general

Subject to subparagraph (B), each audit required by subsection (a)(1)(C) of this section shall be conducted by an entity independent of any agency administering activities or services carried out under this chapter and shall be conducted in accordance with generally accepted accounting principles.

(B) Single audit requirements

Audits shall be conducted under this paragraph in the manner and to the extent provided in chapter 75 of title 31 (commonly known as the "Single Audit Act Amendments of 1996").

(C) Submission of copies

Within 30 days after the completion of each such audit in a State, the chief executive officer of the State shall submit a copy of such audit to any eligible entity that was the subject of the audit at no charge, to the legislature of the State, and to the Secretary.

(3) Repayments

The State shall repay to the United States amounts found not to have been expended in accordance with this chapter or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under this chapter.

(b) Withholding

(1) In general

The Secretary shall, after providing adequate notice and an opportunity for a hearing conducted within the affected State,

withhold funds from any State that does not utilize the grant or allotment under section 9905 or 9906 of this title in accordance with the provisions of this chapter, including the assurances such State provided under section 9908 of this title.

(2) Response to complaints

The Secretary shall respond in an expeditious and speedy manner to complaints of a substantial or serious nature that a State has failed to use funds in accordance with the provisions of this chapter, including the assurances provided by the State under section 9908 of this title. For purposes of this paragraph, a complaint of a failure to meet any one of the assurances provided under section 9908 of this title that constitutes disregarding that assurance shall be considered to be a complaint of a serious nature.

(3) Investigations

Whenever the Secretary determines that there is a pattern of complaints of failures described in paragraph (2) from any State in any fiscal year, the Secretary shall conduct an investigation of the use of funds received under this chapter by such State in order to ensure compliance with the provisions of this chapter.

-SOURCE-

(Pub. L. 97-35, title VI, Sec. 678D, as added Pub. L. 105-285, title II, Sec. 201, Oct. 27, 1998, 112 Stat. 2744.)



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