



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

August 4, 2010

Mr. David Lurie
City of Austin
Health and Human Services Department
P.O. Box 1088
Austin, Texas 78767

Re: Monitoring Report: Community Services Block Grant (CSBG) Contract #61100000839
Community Services Block Grant ARRA (CSBG/ARRA) Contract #11090000524

Dear Mr. Lurie:

Enclosed is a report of findings, actions required, and recommended improvements relating to the monitoring review of the Community Services Block Grant (CSBG), contract between the City of Austin and the Texas Department of Housing and Community Affairs (the Department).

In the report you will find relevant findings requiring corrective actions, recommended improvements, and notes.

The CSBG review disclosed one (1) finding requiring corrective action and two (2) recommended improvements.

Please submit a response to the monitoring report to this office within forty five (45) days from the date of this letter. A copy of this monitoring report will be provided to your board chair.

Should you have questions or require assistance, please contact Skip Beaird, Senior Program Officer, at (512) 475-4618.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart Campbell", written over the typed name.

Stuart Campbell
Manager
Community Services

Enclosure

cc: John Limon, Board Chair

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Section XII. Client File Review CEAP only

**City of Austin Department of Health and Human Services
2010 CSBG/CSBG-ARRA Monitoring Report**

**MONITORING REVIEW OF
City of Austin Department of Health and Human Services**

Date(s) of Review: June 15-17, 2010

Focus of Review: Community Services Block Grant (CSBG)

Programmatic Year FY 2010
Contract Number 61100000839
Contract Amount: \$669,509.73
Contract Period: 1/1/2010-12/31/2010

Community Services Block Grant ARRA (CSBG-ARRA)

Programmatic Year FY 2009
Contract Number 11090000524
Contract Amount: \$1,430,692.00
Contract Period: 9/1/2009-9/30/2010

Purpose of Review: To conduct on-site monitoring and evaluation of the efficiency and effectiveness of the performance of this contract. To review programmatic activities and examine financial expenditures and supporting documentation for the expenditures made under this contract, in accordance with the Uniform Grant Management Standards, Common Rule, S_42. To ensure that programs are operated throughout the service area to ameliorate the causes of poverty, as specified in 42 U.S.C. §9908 (b) (1), in accordance with the CSBG and CSBG-ARRA City of Austin Department of Health and Human Services (COA) Performance Statement.

Opening Statement: In accordance with Section 10 of the CSBG contract, a monitoring review was conducted of your Administrative, Financial, and Programmatic operations. Skip Beaird, Senior CSBG Program Officer; of the Texas Department of Housing and Community Affairs (TDHCA) participated in an entrance conference with Vince Cobalis, Assistant Director; Cathleen Rodriguez; Manager; LaVern Mitchell Manager; Phil Brown, Financial Analyst of the City of Austin.

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**COMMUNITY SERVICES BLOCK GRANT/ COMMUNITY SERVICES BLOCK
GRANT ARRA SUMMATION OF MONITORING REVIEW**

The sections reviewed in relation to the agency's financial activity consisted of a review of the general ledger, chart of accounts, bank statements, cost allocation plan, time records, current fidelity bond, bills/invoices/receipts, and support documentation for CSBG and CSBG/ARRA expenditures as reported on the Monthly Expenditure Report (MER).

The Program Officer reviewed expenditures for April 2010 (PY 2009) and May of 2010. COA's fiscal year is October 1-September 30, and the accounting software used is the Austin Integrated Management System (AIM). Expenditures reported on the above referenced MERS were matched to COA expanded general ledger and internal spreadsheets. The chart of accounts, expanded general ledger, program specific balance sheet, statement of revenues and expenditures, and adjusting/correcting entries were reviewed to confirm that amounts reported have been recognized under the correct amounts.

The Program Officer reviewed the May, reconciliations (the most recent months reconciled) to confirm that bank statements are reconciled monthly to the general ledger, in addition, all program level accounting is reconciled to AIMS. The review also indicates that the Fidelity Bond expires September 30, 2010. Timely payment of TWC (state unemployment) taxes, State Workers' Compensation, and payroll taxes were verified on site through COA comptroller's office. Additionally, the Program Officer reviewed copies of the most recent quarter paid for the taxes referenced above.

The Program Officer reviewed Procurement Policies and Procedures however, no CSBG or CSBG/ARRA procurement took place during the period of review. The CSBG Cumulative Inventory report due at the end of February 2009 had been submitted to the Department by the contractual due date. Time sheets and Travel reconciliations were reviewed to confirm compliance with federal regulations. COA adequately documents time records for all employees reviewed.

The financial review disclosed that CSBG funds allocated by COA have been expended in accordance with the cost principles set forth in the Office of Management & Budget Circulars.

As of the date of this report and based on information from the Department's Portfolio Management and Compliance Division, the subrecipient's last submitted audit was for FY 2008 and is current.

As of May 31, 2010 the COA had expended \$0.00 or 0% of \$669,509.73 its FY 2010 CSBG allocation with 42% of the contract year expired. This expenditure rate is below an acceptable level. This is due, in part, to an extension to the contract period.

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As of May 31, 2010 COA had expended \$450,763.50 of \$ 1,430,692.00 or 31% of its FY 2009 CSBG/ARRA allocation with 69% of the contract year expired (the contract expires September 30, 2010). This expenditure rate is below an acceptable level. This is noted in the report.

The sections reviewed in relation to the administration of the agency during the monitoring visit consisted of the Personnel Policies and Procedures, Fiscal Policies, Travel policies, Procurement policies and the bylaws of the Community Development Commission which serves as the City's advisory board and operates under a waiver which allows the CDC structure to fulfill the role required under the CSBG act. .

The sections reviewed in relation to the programmatic activities were used to determine if the numbers from monthly summaries reconciled to the numbers reported on the May 2010, MER. The individual numbers reviewed were the total males served (1620) by the COA for the month of May.

The CSBG Programmatic portion of the monitoring visit consisted of a review of thirty (30) CSBG client files. The Program Officer interviewed a case manager, at the South Austin Neighborhood Center and reviewed files at both the Black Lands and the South Austin centers. Observed operations appeared to be functioning normally. The CSBG/ARRA Programmatic portion of the monitoring visit consisted of a review of thirty (30) CSBG/ARRA client files.

COA manages CSBG funds through the City's Health and Human Services Division and provides the services at six neighborhood centers located in traditionally low-income areas of the City. During CSBG program year 2010, COA has assisted 3744 persons (with demographics) through May and assisted a total of 21,648 individuals with the programs referenced above, including all activities that are represented on the 2010 CSBG Performance Statement.

CSBG ARRA activities include direct client assistance through sub-contracted "pay agents" including Caritas and the Workforce Commission. Intake is done at the six COA neighborhood centers where the client eligibility is determined. A pay request is then forwarded to the pay agent who, in turn, sends payment directly to the vendor for utilities, rent or other required payments. Once the payments are made, a report is sent from the pay agent to Health and Human Services program staff. HHS staff then reviews and verifies that the proper payment was made. The "pay agent" request reimbursement from the city through a single invoiced the city, in turn, request reimbursement from the state. Because there are, in effect, two tiers to the reimbursement system payments can lag almost three months. The state has raised concerns about the low expenditure rate, however, the city has expressed assurances to the state that all funds will be obligated and expended prior to the September 30, 2010 deadline. In addition to the payment of direct client assistance COA also operates a youth employment program and offers sub-contracts for day care and other services.

Head Start Compliance Reference

COA does not operate a head start program.

Other Federal Programs Compliance Reference

COA Health Department has not been reviewed by another funding source in the past year.

**City of Austin Department of Health and Human Services
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**COMMUNITY SERVICES BLOCK GRANT PROGRAM CORRECTIVE ACTIONS
REQUIRED and RECOMMENDED IMPROVEMENTS**

There were no CSBG findings.

Section I. Financial Review

Recommended Improvement #1: The City of Austin has a low expenditure rate for CSBG due to an extension granted through April 2010 for the 2009 contract. In effect, COA began the 2010 contract in April of 2010. In order to prevent another extension, the Department recommends that COA increase it's monthly expenditure rate for the remaining nine months of the contract period to ensure completion of contract expenditures by December of 2010.

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**COMMUNITY SERVICES BLOCK ARRA GRANT PROGRAM CORRECTIVE
ACTIONS REQUIRED and RECOMMENDED IMPROVEMENTS**

Section I. Financial Review

Note #1: The City of Austin has been notified of the low expenditure rate for CSBG-ARRA. This has been the subject of correspondence and meetings between state and city staff. The city has assured the state that the CSBG-ARRA funds will be expended by September 30, 2010 the expiration date of the CSBG-ARRA contract period. The city has made significant gains towards meeting this goal in the passed few months and the state acknowledges these efforts.

Section XII. Client File Review CSBG only

Finding #1: **Improper use of Declaration of Income (DIS) Form
Questioned Cost \$1,000.**

A review of COA's case files revealed that the Declaration of Income forms (DIS) in two case files were not completed on household members who were above the age of eighteen. Because the income qualification was inconclusive, the associated expenditures must be questioned. The table below indicates the deficient files:

Client Number	Program	Issue	Deficiency Noted
503435	CSBG-ARRA	Income	DIS missing for household member over eighteen.
503473	CSBG-ARRA	Income	DIS missing for household member over eighteen. \$1,000 paid in utility bills.

Action Required: COA must provide signed copies of the DIS forms noted in the table above and submit procedures for Department approval that assure that all household members above the age of eighteen will have completed proof of income. COA must provide a completed DIS form to the Department for clients listed above or alternatively, COA may reimburse the COA account out of unrestricted non-federal funds for payments on behalf of any client for which income documentation remains incomplete. Such reimbursements, if any, would require adjustments to the general ledger or the reduction of a future expenditure report during the 2010 contract period. **Reference: CSBG Contract Section 3 and 10TAC§5.19-20.**

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The Program Officers participated in an exit conference with Vince Cobalis, Cathleen Rodriguez, LaVern Mitchell and Phil Brown of the City of Austin.

Signature: _____

Skip Beard

Texas Department of Housing and Community Affairs

CSBG Sr. Program Officer