



New York State Office of Temporary and Disability Assistance

Oversight of Grants

Report 2009-S-55



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

October 21, 2010

Elizabeth R. Berlin
Executive Deputy Commissioner
Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, NY 12243

Dear Ms. Berlin:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the *Oversight of Grants* at the Office of Temporary and Disability Assistance. This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objective

The objective of our audit was to assess the ability of the Office of Temporary and Disability Assistance (OTDA) to effectively oversee grant activity.

Audit Results - Summary

As of July 2009, OTDA was overseeing 643 grants that had a total value of \$358 million, over the lives of the grant contracts. Five of OTDA's largest grant programs, with a total value of \$290 million, are overseen by its Bureaus of Housing and Shelter Services (Housing) and Employment and Contract Management (Employment). We reviewed a sample of 24 grants, with a total value of about \$25 million, overseen by these two Bureaus, and found that certain improvements are needed in OTDA's grant oversight, particularly by Employment. We conclude that OTDA's ability to effectively oversee grant activity needs to be enhanced.

For example, while Employment staff perform site visits to grantees to review their fiscal and program documentation, they do not ensure that the documentation is consistent with the claims submitted by the grantees for State payments. As a result, they do not have adequate assurance that the payments are appropriate. When we analyzed this documentation, we identified inconsistencies that could indicate that some of the payments were not appropriate. We recommend certain actions be taken to strengthen OTDA's assurance that its payments to its grantees are appropriate.

In addition, risk assessments are beneficial for State agencies overseeing grants, because they can enable an agency to identify grantees that are at risk of not meeting their program goals and may require additional monitoring or technical assistance. However, we found that Employment does not perform risk assessments for its grantees. We also found that, because of weaknesses in the area of staff training, Employment staff are less likely to have a sufficient level of financial knowledge or the skills needed to monitor grantee compliance with contract requirements. We recommend that risk assessments be performed and certain improvements be made in staff training.

We also found that the various OTDA units involved in grant administration need to improve communications with one another about grantee activities, and that OTDA's ability to oversee grant activity would be strengthened if the various State agencies that work with the same grantees as OTDA had an information sharing network about these grantees.

Our report contains a total of six recommendations for improving OTDA's ability to oversee its grants. OTDA officials generally agreed with our recommendations and have taken steps to implement changes.

This report, dated October 21, 2010, is available on our website at: <http://www.osc.state.ny.us>.

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Office of the State Comptroller

Division of State Government Accountability

110 State Street, 11th Floor

Albany, NY 12236

Introduction

Background

Government agencies often award grants to public, private and not-for-profit entities so that these entities can carry out government programs. A grant may be performance-based or it may be reimbursement-based. With performance-based grants, certain milestones or goals are established (e.g., the placement of a certain number of public recipients in jobs over a certain time period), and grantees are paid on the basis of their accomplishments. In reimbursement-based grants, the grantees are reimbursed for their expenditures that are authorized and documented under the grant requirements. In either type of grant, the grantor agency has the responsibility to ensure compliance on the part of the grantee and accomplishment of grant goals.

Each year, New York State agencies make billions of dollars of grant payments. For example, in the 2008-09 fiscal year, State agencies made about \$6.8 billion of grant payments primarily to not-for-profit entities. One such State agency is the Office of Temporary and Disability Assistance (OTDA). OTDA is responsible for supervising programs that provide assistance and support to eligible families and individuals. This assistance includes temporary cash payments and payments for food and heat. OTDA also oversees New York State's child support enforcement program; determines eligibility of Social Security Disability benefits; supervises homeless housing programs; and provides other assistance to targeted populations. To help carry out its various programs, OTDA relies extensively on grants. For example, as of July 2009 OTDA was overseeing 643 grants with a total value of about \$358 million.

Within OTDA, the Bureau of Housing and Shelter Services (Housing) and the Bureau of Employment and Contract Management (Employment) each operate programs primarily carried out through grants. Housing administers several homeless prevention and mediation programs. These programs are designed to prevent homelessness, provide shelter for the homeless, and offer essential services to stabilize housing situations and increase levels of self-sufficiency. During the 2008-09 fiscal year, Housing relied on 345 grants with a total value of \$192 million to operate its programs.

Employment administers programs that focus on helping public assistance recipients and other low-income individuals gain employment through provisions of education and occupational training combined with integrated support services. During the 2008-09 fiscal year, Employment

relied on 255 grants with a total value of \$98 million in support of its programs.

Audit Scope and Methodology

We audited OTDA's ability to oversee its grants for the period April 1, 2008 through March 31, 2009. To accomplish our objective, we reviewed OTDA's policies and procedures for grant management and we interviewed OTDA officials and employees to understand their grant management practices.

In addition, OTDA provided us with the five largest OTDA grant-supported programs. These programs were operated by Housing and by Employment with grants totaling \$134 million and grant expenditures totaling \$37 million for the 2008-09 fiscal year. From the population of 238 grants for these programs, we judgmentally selected from various regions 14 administered by Housing and 10 administered by Employment for further review. We reviewed OTDA records relating to these grants to determine whether OTDA followed its policies and procedures for ensuring that grantees complied with grant terms and conditions.

We conducted our 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.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

**Reporting
Requirements**

A draft copy of this report was provided to OTDA officials for their review and comment. We considered their comments in preparing this final report and are included at the end of this report.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Temporary and Disability Assistance shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

**Contributors to
the Report**

Major contributors to this report were Frank Houston, Bernie McHugh, John Buyce, Walter Irving, Roslyn Watrobski, Robert Mainello, Jeff Fuller, W Sage Hopmeier, James West, Amy Klos and Dana Newhouse.

Audit Findings and Recommendations

Monitoring

In their monitoring of grantee performance, Housing and Employment program staff are required to perform such activities as making at least one site visit during the contract period; reviewing quarterly program reports and reimbursement claims; and evaluating program and participant case records. For example, program staff are to review the participants' case files to determine whether they support the grantees' claims that certain milestones were achieved.

We examined the grant-monitoring practices in the two Bureaus. Our judgmental sample of 24 grants included 14 grants from Housing and 10 grants from Employment. When we reviewed the files for the 14 grants administered by Housing, we found that the program staff were making the required site visits; and appeared to be performing adequate reviews and evaluations of the grantees' program reports, reimbursement claims, and supporting documentation. However, when we reviewed the files for the ten grants administered by Employment, we identified the need for improvement in certain aspects of the Bureau's monitoring.

Our review found that the Employment program staff were making the required site visits and the files contained the required program and fiscal documentation. However, our examination of the 10 Employment grant files, together with 30 related reimbursement vouchers, found that the program staff were not analyzing the information obtained during site visits to ensure that it was consistent with other information reported by the grantees and fully supported the payments made to the grantees. As a result, Employment staff had inadequate assurance that the milestones claimed by the grantees were actually achieved, the expenses claimed were related to the program and were accurate, and contract requirements were being fully met.

For example, Employment maintains a database for its performance-based grants and records milestone information on the database so that it can track the progress of the program participants in achieving the various milestones outlined in each grant. However, in three of the grants in our sample, the milestone information in the files did not agree with the milestone information on the database. Also, when we compared the milestone information on the database with the milestone information on the vouchers that had been submitted for payment for the ten grants in our sample, we identified one duplicate payment for \$1,000 for a participant claimed under two different social security numbers.

According to Employment officials, program staff making site visits confirm only that there is documentation for reported program information. They do not analyze this documentation or compare it with other program reports or fiscal data to establish a level of reliability for the program information on file and the payments made to the grantees. To provide such reliability, we recommend Employment strengthen its on-site monitoring by routinely performing such analyses and comparisons.

Employment officials stated that their focus is on maintaining an adequate cash flow to the grantees, and sometimes allow them additional time to provide documentation to avoid disallowances, so that program goals can be achieved. The officials also stated that they believe the grantees are cautious not to seek financial reimbursement for milestones they cannot support. We note that, while it is important for Employment officials to provide adequate program support to grantees, they are also responsible for ensuring that quality services are actually provided and reimbursed program expenditures actually were incurred.

- Recommendation**
1. Strengthen Employment's on-site monitoring by (a) analyzing the information obtained during site visits to ensure that it is consistent with other information reported by the grantees and fully supports the payments made to the grantees, and (b) expanding the scope of the visits to provide additional assurance of the grantees' compliance with contract requirements and their adequate performance of contract activities.

Assessing Risk

Risk assessments are a tool that enables management to identify internal and external risks that may prevent an agency from achieving its program goals. Risk assessments are beneficial for State agencies overseeing grants, because they can enable the agencies to identify grantees that are at risk of not meeting their program goals and may require additional monitoring or technical assistance.

We reviewed Housing's approach to performing grantee risk assessments, and found that it was generally adequate. Housing uses a two-pronged approach. It first reviews the grantee's program performance, looking for trends and patterns, to determine whether it is meeting program goals and objectives as outlined in the grant contract. For example, if funding is based on occupancy level, Housing would conduct additional review steps whenever occupancy fell below a certain level (e.g., below 90 percent) for several consecutive reporting periods, take additional steps to identify the reasons for the poor performance, and suggest ways to bring about improvement.

Housing also enlists the assistance of OTDA's audit unit. The audit unit has developed a methodology for assessing the risk for grantees, in which it performs a detailed survey of the grantee's financial-related functions, including revenue, disbursements, and accounting records and procedures. Based on the survey responses, the audit unit develops a risk matrix that it uses in its audit plan to identify high-risk contractors as candidates for audits.

While we found Housing's approach to performing risk assessments to be generally adequate, we also found that the risk assessments may not always be as comprehensive as they could be, because certain information about the grantees is not always considered. This information is contained in audit reports that are required for some of the grantees. In accordance with U.S. Office of Management and Budget Circular A-133, grantees receiving Federal funding are required to obtain an annual audit of their program expenditures. The audit must be performed in accordance with industry standards and include an evaluation of the grantee's internal controls and its compliance with laws, regulations, and contract provisions.

A total of 5 of the 14 Housing grants in our sample required Circular A-133 audits. However, when we reviewed Housing's files for these five grants, we found that none contained a copy of the audit report. As a result, Housing staff were not able to make use of the information in the audit reports when they performed their risk assessments of the grantees.

Our review found that Employment has no risk assessment process and does not perform risk assessments for its grantees. As a result, Employment is less able to identify grantees that require additional monitoring or technical assistance or are at risk of not meeting their program goals.

- Recommendations**
2. Enhance Housing's risk assessment process by ensuring that grantees submit Circular A-133 audit reports when such audits are required, and by using the audit reports in the risk assessments.
 3. Monitor to ensure that all the Bureaus administering grants perform proper risk assessments.

Staff Training

According to the New York State Comptroller's Standards for Internal Control, as part of their management responsibilities, agencies should have standards or criteria for employing personnel with the knowledge, skills, and abilities to carry out their assigned tasks and responsibilities. Both Housing officials and Employment officials told us that they hire individuals with experience in monitoring programs. As a result, these

individuals should have the general knowledge needed to monitor and review grantees' programmatic performance.

We reviewed the training that is provided to the staff of the two Bureaus. We found that Housing has developed a training plan for its program managers to provide them with basic fiscal monitoring skills. The plan addresses internal controls, contract development, claims reimbursement, performance reporting, and contract monitoring. The plan also provides ongoing training to experienced staff for each of the individual programs operated by Housing and covers contract requirements, program planning, claims and reimbursement, and performance reporting. In our opinion, this is a good training plan, because it provides program staff with the skills they need to fulfill their comprehensive grant contract monitoring responsibilities.

Employment has also developed a training plan. However, its plan provides only training for newly-hired program staff and does not include critical aspects of contract monitoring. While the plan helps new staff become knowledgeable about requests for proposals, the contracting process and contract requirements for grant monitoring, it does not address such critical topics as internal controls, fiscal monitoring, and understanding the relationship between fiscal monitoring and program performance monitoring and reporting.

As a result, Employment staff are less likely to have a sufficient level of financial knowledge or the skills needed to ensure grantee compliance with contract requirements. While Employment has developed written procedures for monitoring compliance, these procedures do not provide guidance on verifying or evaluating the financial information obtained during site reviews and, as was previously noted, Employment staff usually rely on the grantees' self-reporting regarding the use of their funds.

Neither Bureau's training plans consider the use of available outside professional development resources. The Governor's Office of Employee Relations (GOER) offers no-cost training and development programs in contract monitoring and emerging contract management issues and trends. We brought these training programs to the attention of OTDA officials.

- Recommendation** 4. Ensure that Employment enhances its training by providing ongoing training to experienced staff and including all critical aspects of contract monitoring in the training.

**Communication
and Coordination**

Housing and Employment program managers are responsible for monitoring both the fiscal and programmatic aspects of their grant contracts. Additionally, the program managers in both Bureaus communicate the results of their monitoring to the grantees and OTDA's Fiscal Unit. However, we found that issues or concerns identified by the Fiscal Unit are not always communicated to program staff. We recommend OTDA officials improve this area of intra-agency communication for all the units involved in the administration of grants.

Improved inter-agency communication could also strengthen OTDA's risk assessments for its grantees. Utilizing current statewide reporting systems already in place, such as the State Accounting System or the Open Book system, OTDA could identify other State agencies that have contracts with the same grantees and share experiences about these grantees. Such information could be incorporated into OTDA's risk assessments and help management focus its attention on the grantees that are most in need of support, technical assistance, and a higher level of assurance that program funds are being spent as intended.

For example, our review of active grant contracts, as of March 31, 2009, identified 135 grantees that were receiving funds from OTDA and at least one other State agency, including 24 grantees that were receiving funds from OTDA and at least five other State agencies. When an entity receives grant funds from multiple State agencies, there is a risk that the entity could be reimbursed more than once for the same expenses, or paid more than once for the same performance outputs, by different agencies. Such a risk should be taken into account when the risk assessment is performed for that grantee. It is, therefore, critical that OTDA identify such grantees and take the actions needed to manage the elevated risk.

- Recommendations**
5. Improve communication on matters relating to grants among all the units involved in grant administration.
 6. Use statewide reporting systems to identify other State agencies that have contracts with the same grantees as OTDA, inquire about their experiences with these grantees, and use this information in OTDA's risk assessments for the grantees.

Agency Comments



NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
40 NORTH PEARL STREET
ALBANY, NEW YORK 12243-0001

David A. Paterson
Governor

September 23, 2010

Frank J. Houston
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street, 21st floor
New York, NY 10038

Re: Office of the State Comptroller's Draft
Audit Report (2009-S-55) regarding the
Oversight of Grants by the Office of
Temporary and Disability Assistance

Dear Mr. Houston:

As requested, the New York State Office of Temporary and Disability Assistance (OTDA) has reviewed the above-mentioned draft audit report and offer the following responses to the report recommendations.

We agree with the recommendations made by OSC and believe their implementation will improve our oversight of the grants. We also appreciate OSC's willingness to incorporate many of our comments on the preliminary version of this report. However, we continue to feel that certain parts of the report contain undeserved criticism, and request that they be modified to better reflect the oversight activities that currently take place. In the second paragraph on page 14 of the report it states that "Employment officials stated that their focus is on maintaining an adequate cash flow to grantees..." The discussion of cash flow came up regarding potential disallowances identified from onsite reviews and /or the voucher process. Since we contract with non-profit agencies and understand the importance of reimbursement from OTDA to meet operational cost, we try to give our contractors additional time to provide the information needed to avoid the disallowance/voucher rejection. We feel as written this section misleads the reader to believe that cash flow rather than payment accuracy is our first priority.

Recommendation 1:

Strengthen Employment's on-site monitoring by (a) analyzing the information obtained during site visits to ensure that it is consistent with other information reported by the grantees and fully supports the payments made to the grantees, and (b) expanding the scope of the visits to provide additional assurance of the grantees' compliance with contract requirements and their adequate performance of contract activities.

OTDA-L1

"providing temporary assistance for permanent change"

* State Comptroller's Comment: We have revised our report to address OTDA's response.

*
Comment

Response - Recommendation 1:

Employment will strengthen its on-site monitoring. They will expand pre-visit preparation activities to ensure staff is equipped with the necessary information needed to conduct thorough reviews. It will re-examine on-site review documents and review procedures to ensure that all aspects of contract compliance are assessed, and that better consistency and effectiveness in the overall process is achieved.

Recommendation 2:

Enhance Housing's risk assessment process by ensuring that grantees submit Circular A-133 audit reports when such audits are required, and by using the audit reports in the risk assessments.

Response - Recommendation 2:

NYS OTDA- Housing requires the Circular A-133 at time of application for funding (as applicable). However, OTDA will strengthen the use of the document by developing a procedure to ensure entities submit audit reports and the information is incorporated into the risk assessment process. OTDA has initiated activities to coordinate staff training regarding the Circular A-133.

Recommendation 3:

Monitor to ensure that all Bureaus administering grants perform proper risk assessments.

Response - Recommendation 3:

All Bureaus administering grant programs will ensure that a comprehensive risk assessment process is used to assist in the identification of grantees that may require more frequent and or extension monitoring and/or technical assistance.

Recommendation 4:

Ensure that Employment enhances its training by providing ongoing training to experienced staff and including all critical aspects of contract monitoring in the training.

Response - Recommendation 4:

NYS OTDA has a training coordinator that regularly distributes training opportunities through the Office of Training and Automation Program (OTAP), Life Plus One (continuing education opportunity), Management Development Institute (MDI), and OTDA's On-line Learning Center. NYS OTDA-Housing staff also regularly attend New York State's Annual Purchasing forum with special interest in the monitoring, contracting, procurement, and fraud prevention sessions. NYS OTDA- Housing staff share lessons learned and materials secured from trainings at monthly meetings. Housing has updated the training plan to document current efforts towards continuing staff development.

Employment will formalize the training and take advantage of training resources within OTDA and those that are available through outside resources.

Recommendation 5:

Improve communication on matters relating to grants among all the units involved in grant administration.

Response - Recommendation 5:

It is unclear whether the "Fiscal Unit" referenced in this section of the report is the individual(s) within Housing and Employment responsible for voucher processing, or if it is OTDA's Office of Budget Management. If it is the former we will ensure that a vehicle is in place for regular communication of issues and concerns between fiscal and program staff.

*
Comment

"providing temporary assistance for permanent change"

OTDA-L1

- * State Comptroller's Comment: The Fiscal Unit we refer to is the Office of Budget Management, which does not always communicate issues or concerns to program staff responsible for on-site monitoring of grantees.

Recommendation 6:

Use statewide reporting systems to identify other State agencies that have contracts with the same grantees as OTDA, inquire about their experiences with these grantees and use this information in OTDA's risk assessments for the grantees.

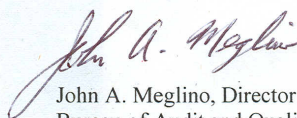
Response - Recommendation 6:

NYS OTDA requires grantees to identify other funding sources at time of application and again during contract amendments. This information is maintained on file. NYS OTDA- Housing has developed a policy for documenting internal and external communication of contractor performance.

This recommendation clearly has merit. Many non-profits have contracts with several State agencies and a system where program managers could compare notes could provide a higher level of assurance that funds are being used as intended, and identify where possible efficiencies could take place. To the extent resources will allow we will use the tools recommended in the report to identify grantees receiving funds from multiple State agencies, and incorporate this into our risk assessment process.

Thank you for the opportunity to comment on the draft report.

Sincerely,



John A. Meglino, Director
Bureau of Audit and Quality Improvement