

Webb County, Texas
 Federal Schedule of Findings and Questioned Costs
 Year Ended September 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? X yes _____ no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for U.S. Department of Energy - Weatherization Assistance for Low-Income Persons and U.S. Department of Health and Human Services - Low-Income Home Energy Assistance, which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	U.S. Department of Agriculture – Child and Adult Care Food Program
16.579	U.S. Department of Justice – Justice Assistance Grant – ARRA Grant

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20.509	U.S. Department of Transportation – Formula Grant Program for Areas Other than Urbanized – ARRA Grant
81.042	U.S. Department of Energy – Weatherization Assistance for Low-Income Persons – ARRA Grant
93.568	U.S. Department of Health and Human Services – Low-Income Home Energy Assistance
97.067	U.S. Department of Homeland Security – Homeland Security Grant Program

Head Start Cluster:

93.600	U.S. Department of Health and Human Services – Head Start
93.708	U.S. Department of Health and Human Services – Head Start – COLA – ARRA Grant
93.709	U.S. Department of Health and Human Services – Early Head Start – ARRA Grant

CSBG Cluster:

93.569	U.S. Department of Health and Human Services – Community Services Block Grant
93.710	U.S. Department of Health and Human Services – Community Services Block Grant – ARRA Grant

CDBG – State-Administered Small Cities Program Cluster:

14.228	U.S. Department of Housing and Urban Development – Community Development Block Grants/State’s Program
14.255	U.S. Department of Housing and Urban Development – Community Development Block Grants/State’s Program – ARRA Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 719,355

Auditee qualified as low-risk auditee?

X yes no

Section II – Financial Statements Findings

No matters were reported

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Section III – Federal Awards Findings and Questioned Costs

SCOPE LIMITATION

DEPARTMENT OF ENERGY

2010-1 Weatherization Assistance for Low-Income Persons - ARRA Grant – CFDA No. 81.042; Grant No. 16090000682; Grant Period: September 1, 2009 – August 31, 2011; Pass-through Entity: Texas Department of Housing and Community Affairs

Criteria and Condition: In accordance with OMB Circular A-133, we attempted to conduct the compliance testing for this grant for the applicable compliance requirements. However, due to the unavailability of program documentation/files and personnel that administered this grant, we were faced with a scope limitation and were unable to conduct the compliance testing for this program.

Questioned costs: Unknown

Context: The pass through entity, Texas Department of Housing and Community Affairs, issued a monitoring report on December 22, 2010 regarding the above mentioned grant. In the monitoring report, the state agency listed numerous findings regarding the administering of grant funds and possible grant violations. The grant funds were de-obligated by the state agency in a hearing held on January 20, 2011.

Cause: Pursuant to the release of the state monitoring report mentioned above, the grant administering department within Webb County, Texas, (Community Action Agency) was closed and all employees were terminated within this department. A federal investigation was initiated, which is currently undergoing, and the Federal Bureau of Investigation seized all files and other documentation within the department. As a result, we were not able to obtain documentation and other information necessary to properly conduct the required compliance testing.

Potential Effect: Webb County, Texas, has expended federal grant funds in a manner that may have violated certain of the restrictive provisions of the grant. The possible outcome of this matter is uncertain at this time. Depending on the outcome of the ongoing federal investigation, federal claims for refunds of any misspent grant monies are a possibility.

Recommendation: Webb County, Texas, should continue to cooperate with the ongoing investigation and comply with any requests made by federal officials in order to resolve said situation. Furthermore, we recommend that the controls in

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place to administer said program be evaluated to determine if any modifications need to be made in order to have a structure that would allow the County to prevent or detect grant deficiencies.

Views of Responsible Officials and Planned Corrective Actions: The County has and will continue to cooperate with the subject ongoing investigation. Internal controls are in place but will nevertheless be thoroughly evaluated to assure that compliance with grant requirements is met and to prevent similar deficiencies from re-occurring. Measures have been taken by Commissioners Court to bring the grant program back to good standing. The first being the release of employees associated with program and the appointment of a new director and an oversight director with extensive expertise in grant management and operations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2010-2 Low-Income Home Energy Assistance – CFDA No. 93.568; Grant No. 58100000834; Grant Period: January 1, 2010 – December 31, 2010; Pass-through Entity: Texas Department of Housing and Community Affairs

Criteria and Condition: In accordance with OMB Circular A-133, we attempted to conduct the eligibility compliance testing for this grant to ascertain that only eligible individuals received assistance. However, due to the incomplete availability of program files and unavailability of personnel that administered this grant, we were faced with a scope limitation and were unable to properly conduct the eligibility compliance testing for this program.

Questioned costs: Unknown

Context: A sample of 60 client files was selected for audit from a population of 2,151 clients. We were informed that 20 out of the 60 selected files were confiscated by the Federal Bureau of Investigation as a result of the situation discussed in finding 2010-1 related to the Weatherization Assistance for Low-Income Persons grant. Out of the remaining 40 files, 16 files could not be accounted for. It could not be determined whether the files were also confiscated by the Federal Bureau of Investigation or had been misplaced. Department personnel that administered this grant were terminated as a result of the investigation discussed in finding 2010-1 and were not available to clarify this issue with us. We were only provided with 24 files out of our initial selected sample of 60 files, and we concluded that expanding the testing population would continue to result in the same outcome.

As a result of our review of the 24 files, we noted eight (8) files contained improper documentation and one (1) file reflected income that was above the threshold for eligibility. Although we made note of these matters, we were unable

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to properly conclude on eligibility compliance due to the scope limitation issue we encountered.

Cause: The complete population of client files was not available due to the ongoing federal investigation discussed in finding 2010-1.

Effect: We were unable to conclude if eligible individuals received home energy assistance as stipulated in the grant requirements.

Recommendation: Eligibility testing should be conducted to verify the eligibility of the recipients of funds once the federal investigation is finalized and files are returned to the organization. Corrective action should be taken on any matters noted.

Views of Responsible Officials and Planned Corrective Actions: Determining the eligibility of a client and of a property was the responsibility of two employees, the one taking the application and the one certifying the eligibility. Training of County employees for this purpose was provided by the State. The controls were in place but unfortunately, they were not followed. There is a proposed plan to set up an auditor type of person to be the third employee certifying not only the eligibility but also the proposed and final work product.

INTERNAL CONTROL MATTERS - MATERIAL WEAKNESS

DEPARTMENT OF ENERGY AND DEPARTMENT OF HEALTH AND HUMAN SERVICES

2010-3 Department of Energy – Weatherization Assistance for Low-Income Persons - ARRA Grant – CFDA No. 81.042; Grant No. 16090000682; Grant Period: September 1, 2009 – August 31, 2011; Pass-through Entity: Texas Department of Housing and Community Affairs

Department of Health and Human Services – Low-Income Home Energy Assistance – CFDA No. 93.568; Grant No. 58100000834; Grant Period: January 1, 2010 – December 31, 2010; Pass-through Entity: Texas Department of Housing and Community Affairs

Department of Health and Human Services – Community Services Block Grant – CFDA No. 93.569; Grant No. 61090000391; Grant Period: January 1, 2009 – April 30, 2010; Pass-through Entity: Texas Department of Housing and Community Affairs

Criteria and Condition: Management of Webb County, Texas is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. We identified a deficiency in the design and operation of the internal

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control structure of the County with regards to the three programs identified above which were administered under the Webb County Community Action Agency department.

Questioned costs: Unknown

Context: As described in finding 2010-1, the state pass-through entity issued a monitoring report regarding the Weatherization Assistance for Low-Income Persons grant. The monitoring report listed numerous significant findings regarding the administration of said grant funds and possible grant violations. As a result, the department administering said grants was closed, employees were terminated, and the grant funds were de-obligated. In addition, the Federal Bureau of Investigation confiscated the documents related to said programs as a result of the circumstances of the case.

Cause: Management did not maintain a proper internal control structure over compliance that would have ensured that all grant requirements were being met.

Effect: The internal control structure within the Webb County Community Action Agency department was not adequate to prevent or detect and correct the issues found by the state monitoring agency. The mismanagement of one grant in particular, Weatherization Assistance for Low-Income Persons, resulted in grant funds being de-obligated and led to the involvement of the Federal Bureau of Investigation.

Recommendation: We recommend that the internal controls in place to administer the above mentioned grants be evaluated to determine the modifications that need to be made in order to have a structure that would allow the County to prevent, or detect and correct, grant deficiencies on a timely basis.

Views of Responsible Officials and Planned Corrective Actions: Establishing and maintaining effective internal controls to comply with applicable laws and regulations as they relate to federally funded grants was the responsibility of the Community Action Agency director and his staff. Reliance on them, however did not produce the best results for the program. Regardless of the fact that internal controls were in place, they were not followed. As a result, the Commissioners Court terminated the director and his staff and assigned the duties and responsibilities of the department to another person with a clear direction to fix and re-group the agency so that it will once again be a respectable, effective and an efficient part of the County family. In that regard, corrective action plans have been submitted to the State and the State in turn has said that they will review and evaluate the corrective action plan after it has been implemented. We are hopeful and confident that the plan will bring the department back to full compliance and respectability.