



North Carolina Department of Health and Human Services  
**Division of Budget and Analysis**  
2001 Mail Service Center • Raleigh, North Carolina 27699-2001  
Telephone (919) 733-6396 • Fax (919) 733-2944

Beverly Eaves Perdue, Governor  
Lanier M. Cansler, Secretary

James B. Slate, Jr., Director

February 19, 2010

The Honorable Marc Basnight, President Pro Tempore  
NC Senate  
16 W. Jones Street, Room 2007  
Raleigh, NC 27601-2808

The Honorable Joe Hackney, Speaker  
NC House of Representatives  
16 W. Jones Street, Room 2304  
Raleigh, NC 27601-1096

Co-Chairs, Joint Legislative Commission on Governmental Operations

Dear President Pro Tempore Basnight and Speaker Hackney:

The purpose of this letter is to provide notification of a variation in the budgeting and expenditure of block grant funding which is administered by the Department of Health and Human Services.

Pursuant to SL 2009-451, Section 10.78 (a), Community Services Block Grant ARRA funds (SBG ARRA), allocation item 2, the Department is directed to allocate \$1,312,156 to "Limited Purpose Agencies."

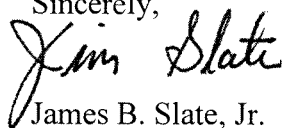
In an audit report, dated December 31, 2009, issued by the Office of the State Auditor, the inappropriate allocation of CSBG ARRA funds was noted. Item 6 of the report notes that the American Recovery and Reinvestment Act authorizes states to release 99% of funds to "eligible entities." Limited purpose agencies do not meet the definition of an eligible entity. Hence, the Auditor's Office finds that the allocation of the \$1.3 million, as directed in SL 2009-451 is inconsistent with Federal law. In accord with the finding of the State Auditor's Office, the Department of Human Resources intends to reallocate \$1,312,156 in CSBG ARRA funds to Community Action Agencies.

President Pro Tempore Basnight and Speaker Hackney

Page 2

February 19, 2010

Should you have any questions regarding this intended action, please contact Ms. Verna Best, Office of Economic Opportunity (715-5850). Thank you.

Sincerely,  
  
James B. Slate, Jr.  
Director

JBSjr:gg

Enclosure

cc: Representative Beverly Earle, Chair, House of Representatives Appropriations  
Subcommittee on Health and Human Services  
Representative Bob England, Chair, House of Representatives Appropriations Subcommittee  
on Health and Human Services  
Representative Verla Insko, Chair, House of Representatives Appropriations Subcommittee  
on Health and Human Services  
Senator Doug Berger, Chair, Senate Appropriations Committee on Health and Human  
Services  
Senator William Purcell, Chair, Senate Appropriations Committee on Health and Human  
Services  
Charlie Perusse, State Budget Director, Office of State Budget and Management  
Marilyn Chism, Director, Fiscal Research Division  
Verna Best, Office of Economic Opportunity.  
Jennifer Hoffman, Office of State Budget and Management