Appendix E

Sample CAA Response to Monitoring Letter with Quality Improvement Plan

This letter and quality improvement plan represent one approach to addressing a state's monitoring letter. A CAA should consider all approaches to find one that best fits the CAA's needs.

[COMMUNITY ACTIVE AGENCY, INC. LETTERHEAD]

June 12, 2026

Ms. CSBG Program Specialist
State of Imagination CSBG Office
203 14th Street
Chief City, Imagination 04576

Dear Ms. CSBG Program Specialist:

This letter represents Community Active Agency, Inc.'s (CAA) response to the letter from you dated May 28, 2026 regarding the CSBG monitoring conducted by the State CSBG office. We greatly appreciate the thorough review conducted by your office. However, we have some questions regarding some of the findings. This letter sets forth our questions. Please also find attached a quality improvement plan (QIP) addressing those findings for which we do not have questions.

We are quite proud of the strengths that you recognized in your letter. We also would like to add that we exceeded our goal to help low-income youth between the ages of 10 and 13 stay in school by implementing for the first time in January 2025, an after-school tutoring program for students with low-incomes. CSBG funds are instrumental in making this program a success. Forty-five students participated in the program and 80% of these children not only stayed in school but advanced to the next grade. This success reduces by 60% the drop-out rate for low-income youth reflected in our 2024 needs assessment.

As to the compliance issues and deficiency you listed in your letter, we have questions regarding the following:

<u>Compliance Issue #3: Computer Security</u>
We take computer security seriously and regularly review and update our computer security policy. However, we believe that this compliance issue is tied to a legal standard that we are not required to follow. This is the first time that we have heard of the application of the National Institute of Standards and Technology Special Publication 800-53, Rev. 5 (Special Publication) to CSBG funded programs. From our research, we learned that this Special Publication specifically states that "[w]hile the controls established in this publication are mandatory for federal information systems and organizations, other organizations such as state, local, and tribal governments as well as private sector organizations are encouraged to consider using these guidelines, as appropriate."[1] We are unable to locate a state CSBG law or regulation that applies this Special Publication to CSBG funded programs. Our state CSBG contract makes no mention of it. Can you provide us with the contract provision and/or state law that supports this finding? If one exists, we also request T/TA to help with compliance, as the standard is complex.

[1] Standards and Technology Special Publication 800-53, Rev. 5, page 2, FN 12.

Compliance Issue #4: Personnel Management

While we are willing to weigh the pros and cons of implementing exit interviews, this finding is not linked to a legal requirement. If a legal requirement exists, please share it with us.

Deficiency #1: Limitations on Use of CSBG funds

The work we completed on our CSBG administrative offices was a repair and not a permanent improvement, making the partial use of CSBG funds an allowable cost. It is our understanding that work performed on a building that is considered a permanent improvement materially increases the permanent value of the property; appreciably prolongs the life of the property; and puts the property in efficient operating condition rather than merely keeping the property in such condition. See 42 U.S.C. § 9918(a); 2 C.F.R. 200.439(b)(3). We repaired sections of the roof that had deteriorated because of age and were leaking during heavy rainstorms. We made these repairs using the same type of materials that were used to replace the roof fifteen years ago.

The work we performed on our building qualifies as maintenance and repair. It is our understanding that work that qualifies as maintenance and repair, and not capital expenditures, under 2 C.F.R. Part 200 Subpart F, is not considered a permanent improvement and, therefore, is neither prohibited by the CSBG Act nor requires a waiver from HHS to be an allowable CSBG cost. Section 200.452 provides that:

> *Costs incurred for. . . repair, or upkeep of buildings and equipment (including federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements that add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see § 200.439)*.

Best Practice Recommendations 1 and 2

We are developing a board member succession plan, but our board has determined that term limits are not in the organization's best interest. We serve rural counties and it is very difficult to retain board members. Our board members generally turn over every 3 to 5 years, so we do not see the need to add term limits to our bylaws, especially when retention is an ongoing challenge for our CAA.

We look forward to hearing from you.

Sincerely,
Executive Director

cc [Board Chair/President of CAA board of directors]
Enclosures

<u>Attachment</u>

Community Active Agency, Inc. Quality Improvement Plan (QIP)

June 12, 2026

This QIP is submitted in response to the monitoring letter dated May 28, 2026 that we received from the state CSBG office. We propose taking the following actions to correct the findings with which we do not take issue:

<u>Compliance Issue #1: Tripartite Board</u>

1. We filled one of the two vacant seats in the private representative sector of the board and are in the process of filing the other vacant seat in the low-income representative sector of the board.
2. We are currently taking the following measures to fill the low-income representative sector seat:
   - Pursuant to our democratic selection policy approved by the board of directors, we posted public announcements throughout the community we assist asking clients and individuals and families with low incomes to contact our executive offices by June 15, 2026 with names of individuals interested in seeking this board seat.
   - Next, we will contact all nominated individuals to ensure that each one is truly interested in being on the ballot and that, if they are chosen to represent a particular neighborhood, they live in that neighborhood.
   - We will then place all individuals who meet the above requirements on a ballot available at our CAA's administrative office and all satellite sites as well as at the next public school committee meeting which is well attended by the low-income community.
   - We will close voting for the seat by July 15, 2026.
3. We expect to fill the second vacant seat in the private representative sector no later than July 20, 2026.
4. We established a standing board committee charged with tracking board member vacancies and developing recruitment strategies for all tripartite sectors.
5. We will make board recruitment an ongoing board task. We are developing an advisory board that would not have the authority to deliberate or vote but whose members could be available for election to a vacant board seat. We will follow our bylaws and democratic selection policy to ensure that any low-income sector representative serving on the advisory board meets the tripartite requirements before he/she is seated on the board.

<u>Compliance Issue # 2: Safeguarding of Assets</u>

1. The CAA added to the job description of the Chief Financial Officer (CFO), the responsibility to execute two random spot checks of the CAA's inventory records throughout the year to ensure that the records accurately reflect the physical inventory.
2. The CAA will include in its procurement procedures the requirement that the procurement manager conduct a physical inventory every two years. The CFO is charged with ensuring that this inventory is completed and with enlisting additional staff to assist with inventory management as needed.
3. The CAA is developing a checklist of all property record information needed to ensure legal compliance. It is a password-protected, multi-factor authenticated checklist that will permit one of the procurement manager's staff to directly input property records information.
4. On a quarterly basis, the procurement manager is responsible for executing four random spot checks of the property record information inputted to confirm its accuracy.
5. The procurement manager will produce a report of the property record information for the CFO to present to the board of directors at least once a year.
6. We expect to implement all changes by August 31, 2026.