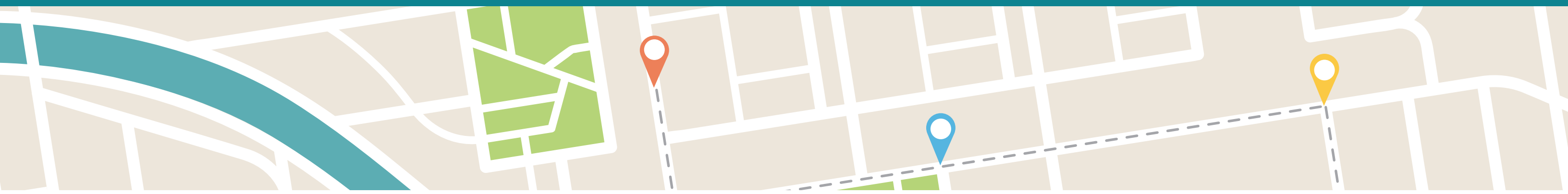
Monitoring Map

A Guide for Navigating the CSBG Review Process



The Community Services Block Grant (CSBG) monitoring process is a collaborative experience that embodies a shared commitment by eligible entities and state CSBG offices to further the purposes and goals of the federal CSBG Act (the Act or CSBG Act). The Act requires state CSBG offices to monitor nonprofit organizations and public agencies receiving CSBG funds to ensure that healthy, strong entities are using the funds to reduce poverty, revitalize communities, and empower low-income individuals and families to become self-sufficient.[1] Nonprofit organizations and public agencies designated to receive CSBG funds are referred to as either eligible entities or Community Action Agencies (CAAs).

The Office of Community Services (OCS)[2] offers non-binding guidance to state CSBG offices and CAAs about the monitoring process in Information Memorandum (IM) 116 available in **Appendix A**. A key emphasis of IM 116 is to increase understanding and transparency of the requirements applicable to CAAs as well as the procedures state CSBG offices follow in administering and monitoring the funds. This Guide focuses on the three stages of the review process as established by the CSBG Act. The Act directs state CSBG offices to:

First[3] –

1. Conduct a full on site review at least once every three years; and
2. Engage in follow-up reviews as necessary.

Second – if a deficiency is identified,[4]

1. Inform the CAA of the deficiency;
2. Require the CAA to correct the deficiency;
3. Provide training and technical assistance, if appropriate; and
4. Permit, within its discretion, the CAA to submit a quality improvement plan (QIP).

Third – if a deficiency is not corrected,[5]

1. Begin the process to reduce or terminate the CAA's CSBG funding;
2. Provide adequate notice and an opportunity for a hearing;
3. Determine if "cause" exists to terminate or reduce the funding;
4. Provide the CAA an opportunity to seek review of the state's final decision with the U.S. Department of Health and Human Services (HHS);
5. Proceed with the final decision when OCS within HHS approves the state's termination or reduction decision, or once the 90-day review period passes without further action by OCS; and
6. Maintain CSBG funding until each step of this process is complete.

This Guide is intended to help CAAs and state CSBG offices understand the rules, build relationships, and navigate each stage of the monitoring process. The Guide addresses not only the legal framework of CSBG monitoring, but also pre- and post- monitoring actions to help both CAAs and state CSBG offices recognize opportunities for collaboration and growth.

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PART I. PRE-MONITORING

A CAA and state CSBG office can engage in multiple activities prior to a monitoring to help position the CAA for success and facilitate a more seamless and effective monitoring process.

A. CSBG Agreement

Engaging in a thorough review, discussion, and negotiation of the CSBG subgrant agreement (often referred to as a contract) helps both the CAA and state CSBG office fully grasp their responsibilities and gain a deeper understanding of the actions required to maintain compliance. Just as the state CSBG office will work with the state's legal team to prepare the contract, a CAA should have a process in place for reviewing the contract to ensure it can meet its obligations under it. The CAA board of directors' involvement in this process may range from authorizing the executive director to negotiate and sign the contract to reviewing the contract itself. A state CSBG office may require a level of board involvement, such as having the board chairperson sign or co-sign the contract.

TIP

Even if the agreement between a CAA and state CSBG office is referred to as a "contract", the actual mechanism by which the funds are transferred is a subgrant. The characteristics of the parties' relationship dictate whether the arrangement is viewed as a "contract" vs. "grant" for federal grant law purposes. Key characteristics that distinguish the two forms and indicate that the parties' relationship is more likely a grant are if the organization receiving the funds is: determining eligibility; making programmatic decisions; adhering to federal funding source rules; and implementing a program for a public purpose specified in statute, rather than providing goods or services directly to the funder, operating normally in a competitive environment, or providing goods and services to multiple purchasers.[6]

A CAA's internal review should consist of comparing the contract it receives for each fiscal year to the contract from the prior year to determine what, if any, changes exist. Even if the CAA believes or is told that the CSBG contract is the same as prior years, it should still engage in the comparison process to avoid agreeing to a new or revised term or condition that may make compliance difficult. Even if a CAA agreed to a term or condition in the past, it can still discuss and negotiate it with the state CSBG office, especially if it negatively impacts the CAA. The CAA should document differences between current and prior years and consider whether to discuss them with the state CSBG office. A state CSBG office can assist with this process by sharing with the CAAs a memorandum that reflects the key, substantive changes to a contract. Doing so not only contributes to a more collaborative process but also helps a state CSBG office identify early on how certain contractual provisions may impact CAAs in ways not fully anticipated or understood.

The review should include all language in the contract, even boilerplate provisions, i.e., template terms and conditions. States may require all state agencies to attach the same boilerplate language to all agreements regarding the administration of state and federal flow-through funds. Language in a contract is often negotiable, and the boilerplate provisions especially may include terms and conditions that do not fit the CSBG funding. The CAA may request that the state CSBG office either exclude or revise the template language to better reflect the funding. For example, a state boilerplate provision may require all recipients of state funding to engage in nonpartisan voter registration efforts. Since the CSBG Act prohibits using its funds for any voter registration activities, the state should either remove the boilerplate provision from CSBG subgrant agreements or add qualifying language that clarifies its application.

An internal review by the CAA may include those within the organization that have some involvement with the CSBG funding, i.e., the fiscal officer, human resources director, etc. The process may consist of an opportunity for comments and an acknowledgement of review. A CAA may consider working with an attorney to ensure that the CAA understands the implications of the state and federal requirements in the agreement. An attorney, especially one with contracting and/or grant experience, could help a CAA identify negotiation possibilities and prepare for discussions with the state CSBG office.

B. Monitoring Tools

Monitoring tools generally consist of a set of questions that guide a funder, like the state CSBG office, in a review of the financial and programmatic activities associated with a funding source. Like the CSBG contract, a review and discussion of the monitoring tools well before the review process helps both the CAA and state CSBG office ensure that the monitoring tools are as clear and effective as possible. Tools that result in more seamless monitoring:

- Tie questions to legal requirements;
- Set expectations;
- Outline consequences of not meeting a legal requirement; and
- Focus on actions that further the goals and purposes of CSBG.

CAAs should request a copy of the monitoring tools from the state CSBG office at the beginning of each new funding year. A CAA should review the monitoring tools and ask the state if there is a process in place for the CAA to comment on the tools. Many states allow CAAs to comment on the tools as a best practice. Common topics addressed by monitoring tools include:

- Monitoring process;
- Deficiencies;
- Corrective actions;
- Timelines;
- Training and technical assistance;
- Quality improvement plans (QIPs or corrective action plans);
- Reductions and terminations of funding; and
- Notice and hearing procedures.

If monitoring tools are missing any of the items listed above, a CAA should follow up with the state CSBG office and ask where to find the information. Either in conjunction with an established comment process or as a separate approach, CAAs and the state CSBG office may productively develop and review tools in the following ways:

- The state association serves as an intermediary between the CAAs and state CSBG office to facilitate a process by which the CAAs and the state CSBG office discuss concerns and reconcile differences.
- CAAs, the state association, and the state CSBG office share documentation that recounts conversations or key points to help maintain a shared understanding. The documentation should note when the parties agree as well as where further discussion and follow-up is needed.

- CAAs and state CSBG offices familiarize themselves with the legal framework governing state operations and actions by consulting with attorneys who are familiar with state government laws such as a state's administrative procedures act. Attorneys can often set a baseline of understanding between parties that results in more well-informed and fruitful discussions. For information about how a CAA works with an attorney, see CAPLAW's *Working with Attorneys Guidebook*.

C. Preparation

A CAA's preparation for monitoring is ongoing and does not begin when the CAA is told to expect a visit from the state. Once a CAA addresses any issues it may have with the CSBG contract and monitoring tools, it should use both items to guide its development of internal procedures and processes. The following steps help a CAA not only maintain legal compliance but also develop internal procedures:

TIP

Information about the state's monitoring process and procedures may be in state law or regulation. The CSBG state plan should indicate what state laws and policies govern. Information about monitoring may also be in the state's CSBG contract with a CAA, or in a policy manual issued by the state. If needed, a CAA should ask the state for help in locating applicable state laws and policies.

1. When reviewing the monitoring tools, a CAA should understand the implications of not meeting a legal requirement versus a best practice recommendation. A deficiency finding should be based on a CAA's failure to meet a legal requirement and not on its failure to implement a best practice recommendation.
2. A CAA should regularly use and refer to the tools as a guide in structuring and operating any CSBG funded activity. The CAA's executive director should review the tools with board members and other CAA management such as the chief financial officer and CSBG director.
3. A CAA should consider whether to participate in peer reviews, if available. A state association can often help CAAs identify peers willing and able to help with this type of review.
4. Once chosen for monitoring by a state, a CAA's executive director should work with other CAA management, including program directors, and board members or a board committee to prepare responses to questions in the monitoring tools and locate information that monitors may want to review.
5. A CAA should consider placing information that the state CSBG office will review in binders or a digital folder system so that it is easily accessible, separated from information unrelated to CSBG, and well-organized.
6. The CAA executive director and board members should consider conducting mock interviews with each other to ensure that they are well-informed and able to offer concise and direct answers to the state CSBG office's inquiries.
7. Board members and the executive director may continually prepare for a monitoring by ensuring that the board is regularly receiving reports from the CAA's management, such as the financial director and CSBG administrator.

TIP

The CSBG Organizational Standards for both public and nonprofit CAAs require the board to receive numerous reports such as: (i) financial reports at each regular meeting (Standard 8.7); (ii) an annual update on the success of specific strategies in the Community Action Plan (Standard 4.4); and (iii) an analysis of organizational outcomes, adjustments, and improvements at least annually (Standard 9.3).

If a follow-up review is requested, a CAA should ask the state to clearly set forth in writing the purpose for the review and provide an agenda for a site visit so that the CAA may properly prepare for it. Because follow-up review procedures are within a state's discretion, each state's response to a CAA's request for additional information may vary. A CAA prepares for a follow-up review in generally the same way as an initial monitoring visit, but with a focus on areas that triggered the additional review.

EXAMPLE

A CAA may prepare in advance for a monitoring of its procurement systems by having the right documentation in place and by following internal procedures such as random checks to ensure that the procurement system is operating effectively and properly. This proactive approach will not only lead to greater legal compliance but will also contribute to a smooth and successful review.

PART II. Monitoring

A. Process

A state CSBG office conducts the following reviews of CAAs within its state:

- An on site review of each eligible entity at least once during a three-year period;
- An on site review of each newly-designated eligible entity immediately after completion of the first year that the entity receives CSBG funds;
- Other reviews as appropriate, including reviews of entities experiencing the termination of other federal, state, or local grants for cause; and/or
- A prompt follow-up review if a CAA fails to meet goals, standards, and requirements established by the state.[7]

Very little guidance is in the CSBG Act as to the type of review a state CSBG office conducts and the procedures it must use. The Act simply requires a state CSBG office to "determine whether eligible entities meet the performance goals, administrative standards, financial management requirements, and other requirements of a State."[8] States must determine the type of monitoring to conduct and the procedures to use within the parameters of the CSBG Act.

While no national template for monitoring tools or procedures exists, the CSBG Organizational Standards (the Standards) in Information Memorandum (IM) 138 (**Appendix B**) establish a baseline level of uniform requirements that all CAAs must meet. States must either adopt the Standards as set forth in IM 138 or use a set of alternative standards at least as rigorous and comprehensive as the Standards.[9] The Standards cover three thematic areas: maximum feasible participation, vision and direction, and operations and accountability. These areas encompass CAA activities such as governance, community involvement, strategic planning, human resources, financial operations, and data and analysis.

States may assess CAAs for compliance with the Standards in different ways. A state may integrate an assessment of compliance into its regular CSBG monitoring procedures. Other states may choose different approaches, such as peer-review, assessment by a consultant or third party, or self-assessment. Some states may combine elements of different approaches at different stages of the monitoring process.[10] For more information about the Standards, see CAPLAW's *CSBG Organizational Standards Resource Guide*.

B. Legal Framework

Applicable Federal and State Laws

The CSBG Act sets forth the following parameters within which a state CSBG office must monitor an eligible entity:

- Performance goals;
- Administrative standards;
- Financial management requirements; and
- Other state requirements.[11]

Many of the federal statutes and regulations that inform these parameters are in the CSBG terms and conditions that a state CSBG office agrees to comply with when it accepts CSBG funding from OCS. OCS includes these terms and conditions as part of the CSBG contract that it enters with the state. For additional information about the federal laws usually referred to in the terms and conditions and where these laws fit within the monitoring parameters, see **Appendix C**.

TIP

CAAs should understand the scope of the monitoring parameters set forth in the CSBG Act because: (i) a state must work within the parameters when developing its monitoring tools and (ii) a CAA must comply with all applicable federal and state legal requirements that fall within these parameters.

OCS issues guidance to state CSBG offices and CAAs in the form of information memoranda (IMs). This guidance is non-binding and is intended to help CAAs and states better understand the federal laws and how to apply them. See **Appendix C** for a list of IMs that are particularly useful for a CAA to review as it prepares for the monitoring process.

A state may apply state-specific requirements and, as long as the requirements do not directly conflict with the federal CSBG Act, a CAA must comply with the requirements.[12] Some states have state-specific CSBG statutes, regulations, and/or policies that include additional requirements reviewed as part of a monitoring, while other states rely solely on the federal CSBG requirements to facilitate and conduct monitoring.

Typically, the state agency authorized to facilitate the CSBG funding will develop rules and/or policies pursuant to the state's administrative procedures act (APA). Each state has an APA which governs the issuance of regulations by a state agency and establishes the judicial review of the state office's administrative actions. An APA usually requires a state agency to follow specific procedures to adopt regulations whenever a directive from a state agency is intended to have a legal effect. State APA procedures generally require the state to provide the public with a notice and comment period prior to enactment of the regulations so that those affected by the regulations will have an opportunity to voice their concern or support.

TIP

If a CAA questions the state CSBG office's authority to issue or enforce a regulation or a policy, the CAA should work with an attorney in its state familiar with state government laws to determine if the state CSBG office followed the proper process under the state APA.

The subgrant agreement between a state CSBG office and a CAA should incorporate all applicable state laws and policies by reference. A state's CSBG plan should also identify the state-specific laws and guidance that may apply to CSBG funding.

Federal v. State Laws

The federal block grant regulations governing CSBG funding allow eligible entities to file a complaint with OCS if a state issues rules and policies that conflict with the CSBG Act. Conflicts may arise when a state fails to comply with the certifications and assurances made in the state plan submitted to OCS or when state laws are not updated to align with the CSBG Act and block grant regulations.[13]

EXAMPLE

Some state CSBG regulations are based on language from when the Economic Opportunity Act of 1964 (the current CSBG Act's predecessor) required the chief elected official(s) in an area served to designate public officials as board members. The CSBG Act does not include this requirement; rather, the Act specifies that the CAA selects the board. Thus, state laws that still require selection by chief elected officials are inconsistent with the CSBG Act and a CAA may file a complaint with OCS to this effect if the state attempts to enforce this requirement.

A CAA must submit a complaint in writing to the Director of OCS and must:

- Identify the provision of the Act, assurance, or certification that the state allegedly violated;
- Specify the basis for the violations charged; and
- Include all relevant information known to the person submitting the complaint.[14]

OCS is required to promptly provide a copy of any complaint to the state. The state has 60 days to respond to the complaint and may request additional time, if necessary. OCS will investigate the complaint where appropriate and provide a written response to the complaint within 180 days of receiving it. If a final resolution is not obtainable within 180 days, OCS's response will set forth reasons why additional time is required to resolve the matter.[15]

HHS recognizes that under block grant funding like CSBG, states are primarily responsible for interpreting the governing statutory provisions, such as the CSBG Act. As a result, various states may reach different interpretations of the same statutory provisions and, if the different interpretations are consistent with the intent of the CSBG Act, OCS will not overturn them. Thus, when resolving any issue raised by a complaint, OCS will defer to a state's interpretation of its assurances or of other CSBG Act provisions unless the interpretation is clearly erroneous.[16]

TIP

Before filing a complaint with OCS regarding a state's actions, the CAA should make its best efforts to work with the state to resolve the matter.

C. Results and Responses

Findings and Deficiencies

The form of a state's monitoring response may vary from an emailed report to a formal letter. States will often identify strengths as well as issues of concern in their responses. While the CSBG Act only refers to a "deficiency", states often establish degrees of findings ranging from a compliance issue to a deficiency. A CAA should ensure that it understands its state's framework, including the legal implication of each type of monitoring result.

The CSBG Act requires a state CSBG office to inform a CAA of a deficiency and give the CAA an opportunity to correct the deficiency.[17] The Act explains that a deficiency occurs when:

> *an eligible entity fails to comply with the terms of an agreement of the State plan, to provide services under [the Act] or to meet appropriate standards, goals and other requirements established by the State (including performance objectives).*[18]

The state may establish when a finding or compliance issue rises to the level of a deficiency. A CAA should ensure that it clearly understands the criteria on which a state is basing a deficiency determination.

OCS recommends that a state CSBG office document the basis for a performance deficiency or failure to comply with a state or federal requirement. OCS also recommends that a state CSBG office maintain records of correspondence or other communications related to an enforcement action against a CAA to establish the state CSBG office's compliance with the CSBG Act.[19] See **Appendix D** for a sample letter from a state CSBG office setting forth monitoring results.

CAA Response

States will typically work with CAAs to address findings so that they do not escalate to a more serious issue. Whether a CAA receives a finding or deficiency, the approach to addressing it will likely consist of:

1. Obtaining and reviewing the state's procedures to determine the process for responding to monitoring findings. These procedures are likely specified in at least one of the following:
    - Letter or other communication from the state CSBG office informing the CAA of the finding;
    - Monitoring tools;
    - State CSBG laws and/or regulations; and/or
    - State CSBG contract with the CAA.

TIP

The most reliable source for current laws and regulations are state and federal government websites. A state is required to include in its state CSBG plan the state-specific laws that apply to CSBG funding and many states make these plans available on their websites.

2. Confirming the basis for the finding and, if the finding has legal consequences, ensure that the state has linked its finding to a legal requirement.
3. Providing information to the state CSBG office that supports the CAA's meeting the legal standard at issue along with a letter explaining why the state should consider the information.

TIP

Evidence of compliance with a legal standard may include additional financial records, policies, or new processes and procedures.

4. Consulting directly with the state or with the assistance of an attorney who is knowledgeable about state government laws, federal grant laws, and/or nonprofits, when the CAA's understanding of a legal requirement differs from the state's interpretation, including the application of a state-specific requirement to CSBG funding.
5. Compiling information that supports the CAA's understanding of the facts on which the finding is based and providing the information to the state CSBG office with an explanation of why its understanding is accurate.
6. Documenting in writing any conversation, request, oral response, or corrective action taken.

See **Appendix E** for a sample CAA response to a state CSBG office monitoring letter with a proposed corrective action plan.

State Response

The CSBG Act requires that, in many or most instances, a state CSBG office must take into consideration two steps to assist a CAA in correcting a deficiency: provide training and technical assistance (T/TA) and allow the CAA to submit a QIP. In some states, a QIP is the same as a corrective action plan and in others a QIP may occur only when a state identifies a deficiency.

Training and Technical Assistance

The CSBG Act requires a state CSBG office to offer T/TA, if appropriate, to help correct a deficiency.[20] When a state CSBG office provides T/TA, it must prepare and submit a report to OCS describing the T/TA offered. A state CSBG office may offer T/TA concurrently with a deficiency notification. The T/TA should focus on the CAA's specific deficiencies or the issues underlying them.[21]

Many state CSBG offices work with the state association to provide T/TA. State CSBG offices typically offer T/TA on a regular basis pursuant to the current needs of all CAAs in the state in addition to offering T/TA for a CAA's specific issues resulting from monitoring.

If a state CSBG office decides not to offer T/TA, it must prepare and submit a report to OCS stating the reasons for its determination.[22]

OCS gives the following examples of when T/TA is likely not appropriate:[23]

- A deficiency for which the eligible entity has the expertise and skills available within the organization to make corrective actions without assistance;
- A deficiency for which the state previously provided technical assistance and the eligible entity failed to institute corrective actions;
- Multiple, widespread, and/or repeated deficiencies that a CAA cannot feasibly address through technical assistance; or
- A deficiency that involves evidence of fraudulent reporting or use of funds, or other evidence of criminal wrongdoing.

Since the provision of T/TA pursuant to a monitoring is within a state's discretion, a CAA that wants T/TA will need to clearly outline why it is appropriate for the state to provide T/TA and the type of T/TA it seeks. Obtaining a copy of the report the state submits to OCS explaining why T/TA was not appropriate may help the CAA make a case for receiving it.

TIP

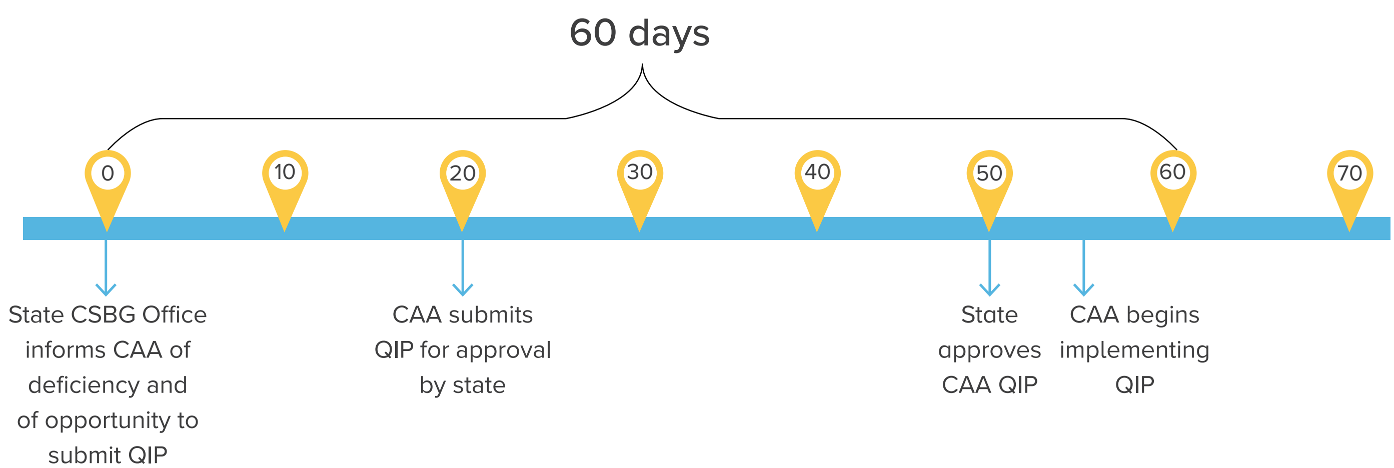
A CAA has several actions it can take to receive a copy of a report the state sends to OCS stating its reasons for not providing T/TA. One is to ask the state and OCS for it; another is to formally request it via the state's open records act or the federal Freedom of Information Act (FOIA). All states have an open records act which is often similar to the federal FOIA. Open records acts generally require state and federal agencies to make available upon request records that are not subject to an exemption. A CAA may consider working with an attorney in its state familiar with open government laws on a records request.

Quality Improvement Plan

Preparing a QIP (or corrective action plan) is one way a CAA responds to a monitoring report when it acknowledges the existence of one or more weaknesses identified by the state CSBG office. While the state has discretion to decide whether a CAA may develop a QIP, that discretion is not unlimited as discussed further below.[24] When permitted to use a QIP, a CAA must correct a deficiency within a reasonable period as determined by the state CSBG office.

State CSBG offices typically grant CAAs the opportunity to submit a QIP (or corrective action plan) and may structure them in a variety of ways. While some states provide CAAs with a form, the more common approach is to permit a CAA to develop the QIP (or corrective action plan) as it sees fit and for the state CSBG office to offer comments and suggestions on the plan.

After being granted the opportunity to submit a QIP, a CAA has 60 days to develop and implement it. A state CSBG office must notify a CAA of its decision to approve/not approve the QIP within 30 days of receiving it from the CAA. To ensure that it has sufficient time to implement a QIP, a CAA should submit one for approval as early as possible within the 60-day time frame. The following diagram illustrates a QIP timeframe in action. In this example, a CAA cuts it a little close but gives itself enough time to implement an approved QIP even if the state uses the full 30 days to review the QIP before approving it:



As soon as a CAA submits a QIP, it should prepare for implementation. By doing so, if the state approves the QIP, the CAA is well positioned to begin implementing it within the required 60-day period.

TIP

A CAA should inform the state CSBG office of its intention to submit a QIP. A CAA should document any obstacles it faces and notify the state CSBG office of them. If the state CSBG office is well-informed, it may be able to act more quickly in making its decisions and thus enable a CAA to smoothly implement the QIP within the 60-day time frame.

Most state CSBG offices will work with a CAA to help it develop a successful QIP or corrective action plan. The approaches for QIPs vary depending on the substance of the finding. However, some key actions are likely to apply to any QIP preparation, such as the CAA:

1. Ensuring that it understands the factual and legal basis for the deficiency. A CAA should follow up with the state CSBG office with any questions;
2. Listing the actions it will take to correct the deficiency and outlining a timeframe for completing those actions. A CAA should present well thought out actions that are achievable within the state's timeframe;
3. Providing a specific request for assistance from the state CSBG office, if needed;
4. Communicating the time needed to complete the QIP, including extensions, as needed; and
5. Documenting the correction process at each stage to support the actions taken.

A state's discretion is generally limited by factors that make a QIP untenable, such as the seriousness of the deficiency and the time required to correct it.[25] OCS gives the following examples of when a state may consider denying a CAA the opportunity to prepare a QIP:

- A CAA previously instituted a corrective action for the same deficiency and has repeated findings; or
- The deficiency involves evidence of fraudulent reporting or use of funds or other evidence of criminal wrongdoing and therefore presents a risk requiring immediate action.

Contesting a state's decision to not grant the opportunity to submit a QIP may be difficult given the level of discretion a state CSBG office has to make the determination. If a CAA feels that the state's decision is erroneous, the CAA should communicate in writing the reasons why. Such reasons may include situations that do not clearly fall within the parameters of when a state may consider denying a CAA the opportunity to prepare a QIP, e.g., the deficiency is not as serious or is correctable within a reasonable timeframe.

A CAA should also request an explanation from the state if a QIP is not approved. The state is required to specify reasons as to why it cannot approve a QIP within 30 days of receiving the QIP.[26] A CAA may send a letter to the state CSBG office outlining the reasons why the state's decision is erroneous. A CAA should include any documentation it has to support its position.

Approaches for Addressing Monitoring Findings

The scenarios below are intended to help CAAs and state CSBG offices align on approaches for addressing findings. Key elements to any approach should include:

- Recognizing a finding and the context within which it has occurred;
- Identifying the legal requirement on which a finding is based; and
- Outlining actions for addressing the finding.

Scenario One: Board Vacancies and Composition

Finding One: Two of a nonprofit CAA's 15 board seats are vacant for over 180 days. One vacancy is in the public official sector and the other is in the private sector.

Legal Requirement(s):

- **42 U.S.C. § 9910(a)(2):** Requires a nonprofit CAA's board to assure that – (A) 1/3 of the board are elected public officials, holding office on the date of selection, or their representatives, except that if elected officials are unavailable and/or unwilling to serve, CAAs may elect appointed public officials to meet the 1/3 requirement; (B) not fewer than 1/3 of the board are chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhood served; and (C) the remainder of the board are officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served.
- **CSBG Organizational Standard 5.1 for Nonprofit CAAs:** Requires a nonprofit CAA to structure its board of directors in compliance with tripartite composition in the federal CSBG Act.
- **CSBG Organizational Standard 5.5 for Nonprofit CAAs:** Requires a nonprofit CAA to fill board vacancies as set out in its bylaws.
- **CAA bylaws:** Requires the board to fill any vacancy in any sector within 90 days.

Potential CAA Approach:

1. Fill vacant board seats as soon as possible after receiving this finding.
2. Communicate regularly about efforts to fill seats, including any difficulties the board is experiencing.
3. Ensure board members understand the tripartite board composition requirements. Consider having new and veteran board members regularly participate in trainings that include CSBG board composition and selection requirements and guidance. For an example of board training on CSBG board composition and selection, see *CAPLAW's All A-Board! Series: How Do You Get the Right People on the Board?*
4. Ensure that the board regularly reviews its bylaws and understands that it is required to follow them. If board members are struggling to meet requirements set forth in the CAA's bylaws, the board may vote to amend the bylaws. For more information regarding how to review bylaws and articles of incorporation, see CAPLAW's *Bylaws Toolkit.*
5. Designate a committee of the board, such as a governance and/or board development committee, to track board vacancies and develop recruitment strategies for all board sectors.
6. Consider using a board matrix to help determine board composition. See CAPLAW's *Sample Board Composition Matrix*.

Potential State Support:

1. Work with the state association on identifying T/TA that addresses underlying causes for chronic or long-term vacancies.
2. Acknowledge CAA efforts to fill a vacancy, including time intensive procedures.
3. Recognize that sometimes uncontrollable circumstances impact the time it takes to fill a vacancy.
4. Remember board members are volunteers with significant responsibilities from all sectors of the community, so recruitment is an ongoing challenge.

Finding Two: A public CAA failed to comply with the tripartite board requirement that 1/3 of the board be representative of the low-income area served. One of the six board member seats representing the low-income sector is vacant for over 120 days.

Legal Requirement(s):

- **42 U.S.C. § 9910(b):** A public CAA is required to either have (1) a tripartite board (1/3 public officials, not fewer than 1/3 low-income representatives and the remainder from the private sector) or (2) another mechanism specified by the state to assure decision making and participation by low-income individuals in the development, planning, implementation, and evaluation of CSBG funded activities.
- **CSBG Organizational Standard 5.1 for Public CAAs:** Requires a public CAA to structure its advisory board in compliance with the tripartite composition in the federal CSBG Act or via another mechanism specified by the state to assure decision-making and participation by low-income individuals in the development, planning, implementation and evaluation of CSBG funded activities.
- **CSBG Organizational Standard 5.5 for Public CAAs:** Requires a public CAA to fill board vacancies as set out in its governing documents.
- **Delegation of authority document:** The responsibilities of the tripartite board and board of selectman (i.e., the local governing officials) require the tripartite board to fill any vacancy in any sector within 90 days.

Potential CAA Approach

1. Review the options taken by a nonprofit CAA in Finding One if the state has not designated another mechanism other than the tripartite board composition.
2. Think creatively about filling tripartite board seats for representatives of the low-income area served, see CAPLAW's *Raising the Low-Income Voice: Case Studies in Democratic Selection Procedures*.
3. Retain flexibility in identifying options to democratically select representatives of the low-income area served to the tripartite board by maintaining the options in a document that does not require approval by the local governing officials, if permitted by state CSBG laws to do so, see CAPLAW's *Bylaw's Toolkit*.
4. Explore with the state, either directly or with the assistance of the state association, the option for the state to identify a mechanism other than the tripartite composition to assure decision making and participation by low-income individuals in the governance structure of the public CAA.

Potential State Support:

1. Review the options taken by a state in Finding One if the state has not designated another mechanism other than the tripartite board composition.
2. Understand the state's authority to support the CAA in thinking creatively about ways to meet the democratic selection requirement, see OCS *Information Memorandum (IM) 82*.
3. Collaborate, either directly with the CAA or with the assistance of the state association, to identify a mechanism other than the tripartite board to assure decision making and participation by low-income individuals in the governance structure of the public CAA.

Scenario Two: Income Eligibility

Finding: Two of five case files reviewed did not contain sufficient income information to support eligibility for services either fully or partially paid for with CSBG funds. The state has increased the income eligibility threshold to 125% of the poverty line as permitted by the CSBG Act but not to 200% as permitted by the annual federal appropriations act.

Legal Requirement(s):

- **42 U.S.C. § 9902(2):** Explains that the poverty line is defined by the Office of Management and Budget based on the most recent data available from the Bureau of the Census. The Secretary of HHS shall revise annually (or at any shorter interval deemed feasible and desirable) the poverty line, which the state must use as a criterion of eligibility for services funded by CSBG. Whenever a state determines that it serves the objectives of CSBG, it may revise the poverty line to not exceed 125% of the official poverty line.
- **Appropriations Act:** The appropriations act[27] for this federal fiscal year includes language that gives states the option to substitute the "125 percent" in Section 9902(2) with "200 percent".

Potential CAA Approach:

1. Understand the state's requirements for establishing and documenting income eligibility, if any exist. These requirements are typically located in the state's CSBG laws and regulations and/or the state's CSBG contract with the CAA. If the CAA is unable to obtain these requirements on its own, it should ask the state to provide them.
2. Review intake policies and process. Find out if the state has policies that a CAA is required to follow. If not, the CAA should create its own. The policies should include a list of income sources that the CAA will use to compute poverty status, such as unemployment compensation, social security payments, educational assistance, etc. The policies should explain how intake staff calculate an applicant's income to determine eligibility. The forms should require intake staff to review information provided by the applicant to ensure income eligibility and certify that such a review was completed, such as by signing the form. The forms could include a place where staff lists the documentation provided by the applicant. See CAPLAW's *CSBG Eligibility Q&A* for additional considerations when developing, reviewing, and/or updating intake policies and processes.
3. Train intake workers and managers so that they better understand the income eligibility process and requirements.
4. Consider implementing a system that requires a supervisor or employee not involved in the actual intake process to periodically and randomly review intake files to ensure that proper information and documentation is obtained.

Potential State Support:

1. Notify the CAA of any state requirements and/or policies for establishing and documenting income eligibility.
2. Communicate where flexibility exists in developing intake procedures.
3. Work with the state association to identify experienced stakeholders willing to provide insights or training on intake processes and eligibility determinations.

Scenario Three: Safeguarding of Assets

Finding: CAA was unable to produce inventory records because the employee who maintained the records was terminated and records were misplaced. Without annual inventories and current inventory records, this CAA was viewed at risk of inventory being lost or stolen.

Legal Requirement(s):

- **Subpart D of the Uniform Guidance, 2 C.F.R Part 200:** State incorporates Subpart D by reference in CSBG subawards with CAAs. Section 200.313(d) requires a CAA to implement property management standards establishing the CAA's obligation to maintain adequate safeguards to prevent loss, damage, or theft of equipment.

Potential CAA Approach:

1. Review policies addressing inventory and the safeguarding of assets and add additional measures to ensure that the CAA's assets are accounted for and protected.
2. Implement measures to ensure coverage of tasks such as maintaining inventory records when key employees leave employment at the CAA.
3. Consider using a spreadsheet or database to track incoming and outgoing inventory over a certain amount, such as $10,000. The CAA may base the threshold amount on the state's procurement or equipment disposition rules or the rules that are incorporated by reference in the CAA's CSBG agreement with the state. The spreadsheet would typically include information such as a description of the inventory, serial number, source, title, cost, acquisition date, percent of federal participation (if partially purchased with federal funds), location, use, condition, and ultimate disposition.
4. Ensure inventory policies segregate duties and require random checks. For example, the same employee who acquires the inventory should not conduct a check of that inventory. Rather, different employees should perform these tasks.

Potential State Support:

1. Acknowledge the time it may take to provide a current inventory report and/or update a CAA's existing inventory reporting infrastructure.
2. Discuss options for recognizing weaknesses and strengthening internal controls. Reference the organization-wide risk assessment conducted every two years as required by the CSBG Organizational Standards.
3. Work with the state association to identify T/TA on managing and improving recordkeeping systems.

Scenario Four: Segregation of Duties

Finding: CAA did not adequately segregate duties for payroll. No secondary review of payroll by CAA staff occurred. The finance department had two employees, each of whom independently prepared payroll for about half of the employees and each verified their own work. The two employees did not verify each other's work.

Legal Requirement(s):

- **Subpart D of the Uniform Guidance, 2 C.F.R. Part 200:** State incorporates Subpart D by reference in its CSBG subawards with CAAs. Section 200.302(b)(4) requires CAAs to exercise effective control over and accountability for all funds, property, and other assets and to adequately safeguard all such assets and assure they are used solely for authorized purposes.
- **200 C.F.R. §200.403 of the Uniform Guidance:** requires recipients and subrecipients to adequately document cost and account for them in accordance with generally accepted accounting principles (GAAP). The federal CSBG Act at 42 U.S.C. § 9914(a)(1)(B) requires the application of Subpart E of the Uniform Guidance to eligible entities. Section 200.101(e)(1) of the Uniform Guidance also specifically notes how it applies to CSBG funding.

Potential CAA Approach:

1. Revise financial management policies to ensure that the two employees in the finance department are reviewing each other's work. For example, the CAA may create checklists that the employees use to review each other's work and have the employees sign the checklists once the review is completed to certify the accuracy of the information.
2. Ensure that the two employees understand how to review each other's work and provide them with training, if necessary. The CAA could request such training from the state CSBG office as T/TA.
3. Perform spot reviews at least twice a year to ensure that the two employees are reviewing each other's work according to policy.

Potential State Support:

1. Recognize that CAAs, due to funding source administrative cost limits and desire to support their communities, will hire individuals that may need additional training and support.
2. Coordinate knowledge sharing and peer support that can provide practical solutions for maintaining effective controls.
3. Work with the state association to identify T/TA on maintaining and improving internal control processes, especially in smaller CAAs with fewer staff.

Scenario Five: Compensation

Finding: CAA failed to ensure that its payroll distribution process provided an after-the-fact certification of actual activity performed by employees; rather, the CAA allocated employee efforts based on a predetermined budget.

Legal Requirement(s):

- **2 C.F.R. §200.430(g)(1) of the Uniform Guidance:** requires allocation of salaries and wages be supported by records that accurately reflect the work performed and meet certain standards for after-the-fact determination of each employee's actual activity. Budget estimates do not qualify as support for charges to awards. Charges to awards for salaries and wages, whether direct or indirect, must be based on documented payrolls. The federal CSBG Act at 42 U.S.C. § 9914(a)(1)(B) requires the application of Subpart E of the Uniform Guidance to eligible entities. Section 200.101(e)(1) of the Uniform Guidance also specifically notes how it applies to CSBG funding.

Potential CAA Approach:

1. Review financial management policies and add procedures to ensure that the payroll allocation process reflects actual work performed by the staff on a monthly basis.
2. Request T/TA from the state CSBG office in the form of a financial consultant familiar with federal grant requirements who can provide the CAA with options on how to best structure its payroll distribution procedures to meet the CAA's needs and maintain compliance with federal grant laws.
3. Ask other CAAs how they ensure that their payroll distribution process reflects actual work performed by the staff on a monthly basis.

Potential State Support:

1. Work with the state association to identify T/TA that strengthens financial management and systems capacity.
2. Recognize flexibility inherent in the Uniform Guidance such that different methods and approaches exist to account for employee activity.
3. Coordinate knowledge sharing and peer support between CAAs.

PART III. Post-Monitoring

A state CSBG office must initiate proceedings if it decides to terminate or reduce funding in response to a CAA's failure to correct a deficiency. However, the state may do so only after it has met its responsibilities under the Act to provide the CAA with:

- Adequate notice,
- A hearing on the record, and
- An opportunity for federal review of the state's decision.[28]

After giving notice and conducting a hearing, if a state finds "cause" to reduce or terminate a CAA's funding, it must give a CAA 30 days to appeal the state's determination to OCS. If the CAA appeals the determination, OCS has 90 days to review the state's determination and, upon completion of that review, the state's determination will stand unless OCS indicates otherwise.[29] If a state proceeds with reducing or terminating the CAA's funding without affording the CAA the proper process, i.e., notice, a hearing on the record, and an opportunity for federal review, a CAA may submit a complaint to OCS and seek funding directly from them.

A. Notice and Hearing

The state has discretion to determine the format of the notice and hearing it will provide a CAA. A state must ensure that any notice and hearing provided is consistent with applicable state policies, rules, or statutory requirements, including the state's APA. A state may establish notice and hearing procedures in the state CSBG laws and/or regulations, state CSBG agreement with a CAA, or state policy manual. The state should provide the CAA the notice and hearing procedures in writing. No federal or state authority exists for a state to waive or ignore the notice and hearing requirements in the Act.[30]

Procedures

The only CSBG Act provision about the notice and hearing procedures directs states to ensure that the notice is "adequate" and the hearing is "on the record."[31] OCS guidance, IM 116, explains that "[h]earing procedures should be consistent with any applicable State policies, rules or statutory requirements." Typically, the state CSBG office will follow the state's APA procedures for notice and a hearing.

Characteristics of adequate notice include:

- Citation(s) to the finding(s) and legal requirement(s) on which termination or a reduction in funding is based;
- Statement of the CAA's opportunity for a hearing and the time and location of the hearing; and
- Information regarding additional appeal options, such as the option for federal review, if the state decides to terminate or reduce the CAA's funding.

A hearing on the record should permit the CAA to submit responses that are then recorded or documented through transcripts. Both CAAs and state CSBG offices benefit from a hearing on the record because the record becomes a part of the documentation sent to OCS by a state CSBG office if a CAA requests a federal review. The record offers OCS the CAA's and state's perspectives. OCS recommends that the state send "all necessary documentation relating to the determination, including, for example, transcripts of the hearing and any documentation used in reaching the State's decision."[32] A hearing on the record ultimately offers OCS a more complete and well-rounded accounting of the state's final decision.

A CAA should request an individualized hearing rather than one combined with other general public hearings, such as the state plan hearing. A separate hearing enables the CAA and state office to focus on the CAA's specific issues and more easily create a record. At a hearing, a CAA can present its reasons why the state should maintain its funding and submit additional documentation for the state CSBG office to consider.

The CAA should consider working with an attorney in its state familiar with state government hearings to ensure that it understands the hearing procedures. The CAA and attorney may ask the state to provide details about the hearing process such as:

- Who is conducting the hearing?
- Are witnesses permitted?
- How much time is allotted for each party to present its case?
- Are cross-examinations of the parties permitted?
- What type of exhibits are permitted?
- What deadlines exist for providing additional documentation or witness lists?

Preparation

The following steps may help a CAA properly prepare for a hearing:

1. Consult with an attorney to ensure that the CAA's positions are clearly stated and supported. An attorney can help provide perspective and identify the evidentiary support needed for each position.
2. Recognize and understand each deficiency on which the state office is basing its decision to initiate a reduction or termination of funding. If the notice does not include a citation to a specific legal authority, ask the state for the requirement on which the deficiency is based. If the legal requirement is clear but the state's reasoning is not, seek additional information from the state regarding the rationale supporting its finding.
3. Gather information demonstrating the CAA's compliance with the legal requirement on which the deficiency is based.

TIP

If a deficiency designation includes serving an individual who is not income-eligible, the CAA should submit, as part of the record, intake forms and information about its intake process to show that the CAA met eligibility thresholds.

4. If the CAA believes that it has successfully corrected the deficiency, it should gather the information that shows the actions taken and how the actions corrected the deficiency.

TIP

If a deficiency designation includes serving an individual who is not income-eligible, the CAA may show that it has revised its intake form, trained or dismissed the intake worker responsible, and/or added additional steps to ensure a more accurate intake process. A CAA should document all such actions and provide this documentation as part of the hearing process.

B. "Cause" to Reduce or Terminate Funding

After the hearing, the state determines if cause exists to reduce or terminate a CAA's CSBG funding.[33] The CSBG Act explains that "cause" for which a state may initiate a reduction or termination of a CAA's funding includes:

> *The failure of a CAA to comply with the terms of its CSBG agreement with the state, the state plan or to meet a state requirement.*[34]

This finding of "cause" arises in the context of a monitoring by the state CSBG office. While not addressed in this Guide, a reduction of funding may also result for reasons other than monitoring. A state may redistribute funds amongst CAAs in response to one the following "causes":

- The results of the most recently available census or other appropriate date,
- The designation of a new CAA, or
- Severe economic dislocation.

C. Suspension

Federal CSBG laws and guidance do not directly address the suspension of CSBG funds by a state CSBG office. Rather, the laws indirectly place limits on funding suspensions by establishing the process a state must follow prior to reducing or terminating funding. When a suspension extends for a period of time, it may effectively become a reduction in or termination of funds. The CSBG Act and block grant regulations explain that a state CSBG office may discontinue present or future funding only when a state has met its responsibilities to provide notice, a hearing on the record, and an opportunity for federal review.[35] Whether a suspension of funds is deemed an effective reduction or termination of funding will depend on the facts of a given situation. Factors considered may include the length of the suspension, the reasons for the suspension, and the factual disputes relating to the suspension.

EXAMPLE

A state CSBG office suspends funds to a CAA that has repeatedly failed to file the proper request for reimbursement as required by a state CSBG regulation. The state claims that it will reinstate the funding as soon as the CAA files the proper reimbursement request. Because the suspension of funding in this fact pattern appears temporary and in response to a repeated failure by the CAA to comply with a legal requirement, the state CSBG office may have a strong argument that the suspension of funding is not an effective reduction or termination in funding.

D. Federal Appeal

If, after a hearing, the state finds that a CAA failed to correct a deficiency, the CAA may request federal review of the state's decision to reduce or terminate funding.[36] OCS is required to complete review of the appeal submitted by a CAA no later than 90 days after it receives from the state all necessary documentation relating to the state's determination.[37] If OCS does not overturn the state's decision by the end of the 90 day period, the state's decision to terminate or reduce funding is automatically affirmed.

Timeframe and Submission

A CAA must submit a request for federal appeal in writing within 30 days of receiving notification from the state of its final decision to reduce or terminate funding.[38] A CAA must send requests for review to the attention of the Division of State Assistance in the Office of Community Services at the following address:

> U.S. Department of Health and Human Services
> Administration for Children and Families
> Office of Community Services
> Division of State Assistance
> Attention: Community Services Block Grant Services
> 370 L'Enfant Promenade S.W., 5th Floor West
> Washington, D.C. 20447

A CAA may send overnight mail submissions directly to the assigned Office of Community Services' CSBG Services - Regional Contacts. This contact information is available on the CSBG website at the following web link:

https://acf.gov/ocs/contact-information/csbg-contact-info-staff-assignments-region.[39]

Preparation

Preparing for a federal appeal begins with the hearing that occurs prior to the state's final decision to reduce or terminate funding. Once a CAA appeals the state's final decision to OCS, the state CSBG office is required to submit the record and evidence from the hearing to OCS.[40] Thus, it is crucial for CAAs and state CSBG offices to submit clear and thorough documentation at the hearing. A CAA should consider the following when preparing a federal appeal:

1. If possible, work with an attorney with experience handling administrative appeals, preferably with the federal government and/or HHS. An attorney will ensure that a request for federal appeal clearly states the CAA's position and is supported with proper evidence.
2. Use the sandwich method of drafting: list all possible reasons why the state should maintain the funding with the strongest reasons in the beginning and end.

TIP

Reasons for questioning a deficiency may include: incorrect interpretation of the legal basis; incorrect application of the legal basis; overlooking of evidence; and/or overlooking of corrective actions taken.

3. Address each deficiency separately, even if the support for each overlaps. Include a cover letter that lists the deficiencies as separate headings and underneath each heading list the reasons explaining each position regarding that deficiency.
4. Keep the supporting documentation and information as concise as possible.
5. Provide documentation that clearly establishes why the state should not reduce or terminate the funding.
6. Be careful not to mix emotions or suspicions with positions. This is not an opportunity to vent about a state CSBG office. The strongest position is a factual one with clearly linked evidence supporting it.
7. Ensure that evidence and documents are well organized and easy to navigate.

OCS is not required to respond to a request for federal review.[41] Thus, after the 90 days pass with no response from OCS, the state's decision to reduce or terminate funding is considered affirmed.

TIP

Even though no requirement exists for OCS to respond to a federal appeal, a CAA should consider following up directly with OCS as the review period nears its end. Since OCS has a 90-day decision window that begins when it receives the state documentation and the state is not required to report when it provides that documentation to OCS, a CAA should track when it submits a federal appeal to the state and consider following up directly with OCS 30 to 60 days after that date.

E. Voluntary Relinquishment

A CAA may choose to voluntarily give up its CSBG funding when faced with multiple or seemingly insurmountable deficiencies. This concept, often called voluntary relinquishment, is not in the federal CSBG Act. A state may outline the process by which a CAA winds down its use of CSBG funds but is not required to do so. The decision to voluntarily relinquish funding is a significant one and CAAs considering such action should:

- Recognize that the decision is most often permanent and, if the organization chooses to pursue CSBG funding again later, it will need to go through the state's eligible entity designation process,
- Understand that winding down use of CSBG funding is not the same as winding down overall operations of the organization or filing for bankruptcy; rather, these are separate and distinct legal and financial actions that may occur simultaneously depending on the circumstances,
- Engage in active discussions at the board of director's level, as board members have legal obligations to ensure their decisions are well researched, informed, and in the best of interest of the organization,
- Recognize that termination protections under the federal CSBG Act (i.e., notice, hearing, and an opportunity for federal review) will no longer be available to a CAA following a decision to voluntarily relinquish funding,
- Understand that a state CSBG office is not obligated to interface with or assist an organization that is no longer receiving federal CSBG funds,
- Assess financial and operational capacity to manage existing and future disallowances arising out of the CAA's use of CSBG funds, as an organization's obligations to a funding source like the state CSBG office and OCS may extend beyond the relinquishment of funding,

- Recognize that the use of "community action" terminology is not addressed by federal CSBG laws or guidance and may continue to be available for use after CSBG funding is relinquished, and
- Consult with legal and financial experts to facilitate a smooth transition to the organization's next phase.

F. Direct Funding

OCS may provide funding directly to CAAs when a state fails to meet its assurance in the CSBG state plan to provide notice, a hearing on the record, and an opportunity for a federal review.[42] If a state CSBG office withholds funding without following the required process, a CAA can request direct funding from OCS.[43]

If direct funding is granted, financial assistance from OCS to the CAA will continue until the state meets the assurances in the Act and state plan (i.e., by providing adequate notice and opportunity for a hearing, or restoring funding).

ENDNOTES

1 42 U.S.C. § 9901(a)

2 OCS is an office of the Administration for Children and Families which is a division of the U.S. Department of Health and Human Services. OCS oversees CSBG funded activities as well as other federally funded activities that provide a range of human and economic development services and activities to address the causes and characteristics of poverty and otherwise assist persons in need.

3 42 U.S.C. § 9914

4 42 U.S.C. § 9915(a)

5 42 U.S.C. § 9915(a)(5), (b); 42 U.S.C. § 9908(b)(8); 45 C.F.R. 96.92

6 *See* 2 C.F.R. 200.331

7 42 U.S.C. § 9914(a)

8 42 U.S.C. § 9914(a)

9 All states formally adopted the CSBG Organizational Standards detailed by OCS in CSBG IM 138 as the baseline standards by which they monitor CAAs. While OCS IMs are typically non-binding, the 2016 Appropriations Act, Public Law 114-113, Consolidated Appropriations Act, 2016, required HHS to issue performance standards for organizations receiving CSBG funds and the states to adopt them prior to September 30, 2016.

10 IM 138

11 42 U.S.C. § 9914(a)

12 45 C.F.R. 96.50

13 45 C.F.R. 96.50(a)

14 45 C.F.R. 96.50(b)

15 45 C.F.R. 96.50(c), (d)

16 45 C.F.R. 96.50(e)

17 42 U.S.C. §§9915(a)(1), (2)

18 42 U.S.C. §§ 9915(a)(1), (2)

19 IM 116; 42 U.S.C. § 9915

20 42 U.S.C. § 9915(a)(3)(A); IM 116

21 IM 116

22 42 U.S.C. § 9915(a)(3)(B); IM 116

23 IM 116

24 42 U.S.C. § 9915(a)(4)(A), (B); IM 116

25 42 U.S.C. 9915(a)(4)(A); IM 116

26 42 U.S.C. 9915(a)(4)(B); IM 116

27 Appropriation acts are the vehicles by which Congress funds federal grants. Language in appropriation acts will always take precedent over funding source statutes that establish the federal grants unless specified otherwise in the appropriations act.

28 42 U.S.C. §9908(b)(8), (c); IM 116

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COMMUNITY SERVICES BLOCK GRANT PROGRAM **Information Memorandum**	**U.S. Department of Health and Human Services** **Administration for Children and Families** **Office of Community Services** **Division of State Assistance** **370 L'Enfant Promenade, S.W.** **Washington, D.C. 20447** http://www.acf.hhs.gov/ocs/programs/csbg
Transmittal No. 116	**Date: December 4, 2009** **(Revised April 2, 2010)**

TO: State Community Services Block Grant Program (CSBG) Administrators, U.S. Territory CSBG Program Administrators, State CSBG Financial Officers

SUBJECT: Guidance on Corrective Action, Termination or Reduction of Funding for CSBG Eligible Entities

PURPOSE: To ensure a consistent understanding of legal requirements and procedures for termination or proportional reduction of funding to eligible entities receiving CSBG funds

RELATED REFERENCES: Community Services Block Grant Act (Public Law 105-285, the Community Opportunities, Accountability, and Training and Educational Services Act of 1998); U.S. Code of Federal Regulations (45 CFR, Section 96.92).

This Information Memorandum (IM) provides background on statutory and regulatory requirements for terminating organizational eligibility or otherwise reducing the share of funding allocated to any CSBG-eligible entity. A step-by-step description is provided outlining necessary actions and considerations for terminating or reducing funds to a CSBG-eligible entity for cause. A sample tool is provided for State documentation of State actions. Although described as a series of discrete steps, some activities described in this IM can be implemented concurrently. States are encouraged to review internal monitoring, corrective action, and hearing procedures to assure compliance with the CSBG Act and applicable regulations cited in this memorandum. In addition, States are strongly encouraged to develop tools and procedures for timely action in circumstances requiring corrective action, reduction, or termination of funding to assure accountability and prevent waste, fraud, or abuse of CSBG funds.

Note: The IM is intended as a guidance tool to support State implementation of requirements of specific sections of the CSBG Act. Key sections of the CSBG Act are referenced throughout the IM. It is strongly recommended that the referenced sections of the CSBG Act be read along with this guidance in order to assure an understanding of the specific language of the statute. The CSBG Act may be obtained online at OCS website.

Background

CSBG funds are awarded to States, U.S. Territories, and eligible Tribal governments and Tribal Organizations based on a statutorily defined formula outlined in the CSBG Act. States are required under the CSBG Act to distribute at least 90 percent of block grant funds to specific eligible entities within the State to support services focused on the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families in rural and urban areas to become fully self-sufficient.

States may retain up to ten percent of grant funds for administrative expenses (which may not exceed the greater of $55,000 or five percent of the total State award) and other discretionary activities. [1] For example, if a State receives a CSBG allocation of $10 million, the State may retain up to $1 million for discretionary activities, but may not use more than $500,000 of these funds for administrative expenses.

Eligible entities are non-profit or public agencies that meet the requirements of Section 673(1)(A) and Section 676B of the CSBG Act. Nonprofit eligible entities must administer the CSBG program through a tripartite board, one-third of whom must be elected public officials or their representatives, not-less than one-third of whom must be democratically-selected representatives of low-income families and individuals in the neighborhoods served, and the remainder of whom are officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served.

Public eligible entities must also have a tripartite board, which must assure that not fewer than one-third of the members are democratically-selected representatives of low-income individuals and families in the neighborhood served, reside in the neighborhood served, and are able to participate actively in the development, planning, implementation, and evaluation of programs funded through the CSBG grants. States may also specify an alternate mechanism to assure decision-making and participation by low-income individuals in the development, planning, implementation, and evaluation of public entity programs funded under the CSBG grant.

The majority of eligible entities in the CSBG program are Community Action Agencies or public agencies with a longstanding involvement in the CSBG program. The list of eligible entities within a State is generally consistent from year-to-year. States may add or remove organizations from the list of eligible entities but must do so consistent with procedures outlined in the CSBG Act. States award funds to eligible entities based on State-defined formulas. However, any changes that adversely affect the proportional share of funding awarded to an eligible entity must be conducted in accordance with the CSBG Act.

Proportional Share Requirements for Eligible Entities

The CSBG Act requires that as a part of the annual submission of an application and plan for CSBG funding, States must assure that any eligible entity in the State that received funding in the previous fiscal year through a Community Services Block Grant will not have its funding terminated, or reduced below the proportional share of funding the entity received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the State determines that cause exists for such termination or such reduction. The CSBG Act

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[1] In the supplemental appropriation for the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), States were instructed to award 99% of appropriated funds to eligible entities.

also specifies that a State's determination is subject to Federal review by the Department of Health and Human Services. The time lines and procedures for Federal review are discussed later in this IM.

An eligible entity's "proportional share" refers to the amount of non-discretionary grant funds awarded to that entity compared to the amount of non-discretionary grant funds awarded to all eligible entities in the State. For example, if an eligible entity received $1 million in non-discretionary grant funds in the prior year and the total of all non-discretionary grant funds awarded to all eligible entities in the State in the prior year was $10 million, the eligible entity's proportional share would be ten percent.

Cause for Changes of Proportional Share to Eligible Entities
Under Section 676(c) of the CSBG Act, there are two major causes for changing the proportional share of funding awarded to eligible entities.

> *Statewide Redistribution of Funds* - The first, and most common, cause for changing the proportional share of funding to eligible entities is not related to performance deficiencies of a specific organization. Under Section 676(c)(1)(A) of the CSBG Act, States may implement a Statewide redistribution of funds to respond to the results of the most recently available census data or other appropriate data, the designation of a new eligible entity[2], or severe economic dislocation. Statewide changes to the distribution formulas require a public hearing. The CSBG Act requires at least one legislative hearing every three years in conjunction with the development of the State plan and States may utilize this legislative hearing to consider changes to distribution formulas. States may also conduct special administrative hearings in response to specific demographic or economic changes, or the designation of a new eligible entity to address an unserved area.
>
> *Failure to Comply with State Plan, Standard or Requirement* - The second cause for reducing funding or terminating eligibility for CSBG funding is related to deficiencies in the activities of an individual eligible entity. Under Sections 676(c)(1)(B) and 676(c)(2) of the CSBG Act, States may reduce funding or terminate eligibility for CSBG funding based on an eligible entity's failure to comply with the terms of an agreement or a State plan, or to meet a State requirement, to provide services, or to meet appropriate standards, goals, and other requirements established by the State, including performance objectives.

State Monitoring and Review
Section 678B(a) of the CSBG Act requires that States conduct monitoring visits and a full on-site review of each eligible entity at least once during each three-year period. The CSBG Act also requires that States conduct an on-site review of each newly-designated entity immediately after the completion of the first year in which the entity receives CSBG funds.

States are required under the regular CSBG program to conduct follow-up reviews including prompt return visits to eligible entities, and their programs, that fail to meet the goals, standards, and requirements established by the State. The CSBG Act also requires that States conduct other reviews as appropriate, including reviews of entities with programs that have had other Federal, State, or local grants other than assistance provided under CSBG terminated for cause.

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[2] Procedures for designating a new eligible entity are outlined in Section 676A of the CSBG Act.

It is an expectation of the Office of Community Services (OCS) that State CSBG Lead Agencies will conduct reviews when informed that an eligible entity has grant funds terminated for cause under a related program, such as Head Start, the Low Income Home Energy Assistance Program (LIHEAP), the Weatherization Assistance Program, or other Federal programs. State CSBG Lead Agencies should include questions in routine monitoring visits and contacts about whether an eligible entity has had grant funds terminated for cause in any Federal, State, or local programs other than CSBG. State CSBG Lead agencies are expected to review the cause of termination for other Federal programs to assure that comparable issues do not exist for CSBG funds.

It is also the expectation of OCS that State CSBG Lead Agencies will thoroughly investigate any instances of "whistleblower" complaints or allegations of fraud or abuse of CSBG funds or funds from closely-related programs. In any instances in which complaints or allegations of fraud are considered credible and raise significant "red flags," OCS should be informed of findings and may assist with additional compliance review or referral to appropriate investigative authorities.

> Note: Allegations of fraud or abuse may also be referred directly to the HHS hotline maintained by the Office of the Inspector General using the following contact information:
>
> 1-800-HHS-TIPS (1-800-447-8477)
> http://oig.hhs.gov/fraud/hotline/

Determination of Performance Deficiencies or Failure to Comply with State Requirement

Based on routine State monitoring, reviews, or investigations related to specific complaints or allegations, the State CSBG office may determine that an eligible entity has failed to comply with the terms of an agreement or a State plan, or to meet a State requirement. The State's determination may be based on the agency's failure to provide CSBG services, or to meet appropriate standards, goals, and other requirements established by the State, including performance objectives. The State should document the basis for such determination and the specific deficiency or deficiencies that must be corrected.

Communication of Deficiencies and Corrective Action Requirements

When a State CSBG Lead Agency has determined that an eligible entity has a specific deficiency, the State must communicate the deficiency to the eligible entity and require the eligible entity to correct the deficiency. To establish compliance with the requirements of the CSBG Act, records of correspondence or other communications related to an enforcement action against an eligible entity should be maintained.

Technical Assistance to Correct Deficiencies

The State must offer training and technical assistance, if appropriate, to help an eligible entity correct identified deficiencies or failures to meet State requirements. Technical assistance may be offered concurrently with the notification of a deficiency or deficiencies and should focus on the specific issues of the eligible entity to the extent possible.

The CSBG Act requires that the State prepare and submit to the Secretary a report describing the training and technical assistance offered. Alternately, if the State determines that training and technical assistance are not appropriate, the State must prepare and submit a report to the Secretary stating the reasons that technical assistance is not appropriate.

Some examples of situations in which a State may determine that technical assistance is not appropriate may include, but are not limited, to the following:

- A deficiency for which the eligible entity has the expertise and skills available within the organization to make corrective actions without assistance;
- A deficiency for which the State has previously provided technical assistance and the eligible entity has failed to institute corrective actions;
- Multiple, widespread, and/or repeated deficiencies that cannot feasibly be addressed through technical assistance;
- A deficiency that involves evidence of fraudulent reporting or use of funds, or other evidence of criminal wrongdoing.

Quality Improvement Plan

Section 678C(a)(4) of the CSBG Act allows for State discretion in the implementation of a quality improvement plan by an eligible entity to correct an identified deficiency or deficiencies. The Act specifies that States must consider the seriousness of the deficiency and the time reasonably required to correct the deficiency.

Examples of instances in which a State may exercise discretion on whether a quality improvement plan is appropriate or necessary may include, but are not limited to the following:

- A deficiency for which an eligible entity has previously instituted a corrective action plan and has repeated findings;
- A deficiency that involves evidence of fraudulent reporting or use of funds, or other evidence of criminal wrongdoing and therefore presents a risk requiring immediate action.

If a State determines that an eligible entity should be allowed to develop and implement a quality improvement plan, the CSBG Act requires the State to allow the eligible entity to develop and implement their plan within 60 days after being informed of a deficiency. States are encouraged to review quality improvement plans and issue decisions on whether the plans are approved as quickly as possible within the 30-day time frame. The quality improvement plan should identify actions that will be taken to correct the deficiency within a reasonable period of time as determined by the State. States may exercise discretion based on the specific circumstances.

If a quality improvement plan is allowed, the State must review and issue a decision on whether to approve the plan not later than 30 days after receiving the plan from an eligible entity. If the State does not accept the plan, the State must specify the reasons why the proposed plan cannot be approved.

Opportunity for a Hearing
A key statutory requirement for funding termination or reductions, as outlined in Section 678C(a)(5) of the CSBG Act is that States must provide adequate notice and opportunity for a hearing prior to terminating organizational eligibility for CSBG funding or otherwise reducing the proportional share of funding to an entity for cause. The CSBG Act does not include any State or Federal authority to waive the requirement of an opportunity for a hearing. Hearing procedures should be consistent with any applicable State policies, rules or statutory requirements.

Pursuant to Section 678C(b) of the CSBG Act, OCS shall, upon request, review any final State determination to terminate or reduce funding of an eligible entity. In order to conduct such review, the requestor and State should submit to OCS all necessary documentation relating to the determination, including, for example, transcripts of the hearing and any documentation used in reaching the State's decision. For the purposes of any Federal review, it is suggested that States provide the following information to OCS:

- A copy of the notice provided in advance of the hearing that includes the date of the notice and the date of the hearing;
- The name of the presiding hearing official;
- The name(s) of official(s) or individual(s) responsible for determination of hearing findings or decisions (e.g. the CSBG State Official);
- The names of the individuals participating in the hearing; and
- Documentation of evidence presented at the hearing.

State Proceedings to Terminate or Reduce Funding
After providing an opportunity for a hearing, if the State finds cause for termination or reduction in funding, the State may initiate proceedings to terminate the designation of or reduce the funding to an eligible entity unless the entity corrects the deficiency. If a State CSBG Lead Agency determines that funding will be reduced or that eligibility for CSBG funds will be terminated, the State must notify both the eligible entity and the OCS of the decision.

Opportunity for Federal Review
A Federal review of the State decision to reduce or terminate funding may be initiated through a request from the affected organization. In accordance with 45 CFR §96.92, an eligible entity has 30 days following notification by the State of its final decision to request a review by the Secretary of the Department of Health and Human Services (HHS).

If a request for a review has been made, the State may not discontinue present or future funding until the Department responds to the request. Requests for Federal review must be received by OCS within 30 days of notification of a State decision. If no request for review is made within the 30-day limit, the State's decision will be effective at the expiration of the time.

Section 678C(b) of the CSBG Act specifies that a review by the Department of Health and Human Services shall be completed no later than 90 days after the Department receives from the State all necessary documentation relating to the determination to terminate the designation or reduce the funding. If the review is not completed within 90 days, the Act specifies that the determination of the State shall become final at the end of the 90th day.

Expedited Federal Review and Technical Assistance

While the CSBG Act specifies that a Federal review of State documentation for terminating the designation or reducing funding to an eligible entity must be completed within 90 days, an expedited Federal review may be possible in some instances. This is particularly true in circumstances in which the State has consulted closely with OCS before and during proceedings and has provided documentation at each step of the process as described above. In some instances, particularly those involving potential waste, fraud and abuse, an on-site Federal review may be arranged to expedite the review of documentation and assist with CSBG procedures and requirements. A documentation tool outlining information required for Federal review is included as an attachment to this guidance.

Address to Request Federal Review

Information on how to request a Federal review should be provided to all eligible entities that are subject to a termination or reduction of funding hearing and decision. To ensure that requests are received in time for Federal review, it is strongly recommended that requests be sent via overnight mail with a signed certification of receipt. Requests for review must be sent to the attention of the Division of State Assistance in the Office of Community Services at the following address:

U.S. Department of Health and Human Services
Administration for Children and Families
Office of Community Services
Division of State Assistance
Attention: Community Services Block Grant Program
370 L'Enfant Promenade S.W., 5th Floor West
Washington, D.C. 20447

Overnight mail submissions may be sent directly to the assigned Office of Community Services' CSBG Program Services - Regional Contacts to provide notification that a request has been submitted. This contact information is available on the CSBG program website.

Potential for Direct Federal Assistance to an Eligible Entity

Section 678C(c) of the CSBG Act specifies that whenever a State terminates or reduces the funding of an eligible entity prior to the completion of a required State hearing and other statutorily-required considerations and procedures as outlined in this document, the Department of Health and Human Services is authorized to provide financial assistance directly to the eligible entity until the State violation of the CSBG Act requirements is corrected. In such instances, the State's CSBG allocation under the block grant would be reduced by the amount provided to the eligible entity.

State Award of Funds to a New Eligible Entity

In the event that the State terminates the designation of an organization as an eligible entity, or otherwise reduces funds, any resulting funding may be awarded only to an organization that is an eligible entity for CSBG funds. Section 676A of the CSBG Act outlines procedures for designation and re-designation of eligible entities in un-served areas. In accordance with the CSBG Act, a State may solicit applications and designate as an eligible entity either:

- A private nonprofit organization that is geographically located in the un-served area that is capable of providing a broad range of services designed to eliminate poverty and foster self-sufficiency and meets the requirements of the CSBG Act; or

- A private nonprofit eligible entity that is geographically located in an area contiguous to or within reasonable proximity of the un-served area and is already providing related services in the un-served area.

States must grant the designation to an organization of demonstrated effectiveness in meeting the goals of the CSBG Act, and may give priority to an eligible entity in a contiguous area that is already providing related services in the un-served area. If no private, nonprofit organization is identified or determined to be qualified as an eligible entity to serve the area, the State may designate an appropriate political subdivision of the State to serve as an eligible entity for the area.

Any nonprofit or public agency receiving CSBG funds must meet the tripartite board requirements specified in Section 676B of the CSBG Act. The process of soliciting applications to select a new eligible entity may take place during the period in which the Department of Health and Human Services is reviewing a State decision to terminate an organization's eligibility for CSBG funds. However, the State may not award the funds to a new eligible entity until the Department confirms the State's finding for cause or the 90-day period for Federal review has passed.

Additional Options to Protect Federal Funds

Although the CSBG Act provides for a specific process for terminating an organization's status as an eligible entity or otherwise reducing an entity's proportional share of funding, States have considerable additional authority to assure appropriate expenditures of Federal funds. Where State laws and procedures permit, States may consider use of cost-reimbursement funding approaches to assure a detailed review of actual expenditures and State approval prior to reimbursement. In some instances, particularly when substantial risks have been identified, States may consider cost reimbursement strategies for some or all funds during a period of corrective action or implementation of a Quality Improvement Plan. While cost reimbursement procedures may be used to assure appropriate expenditure of funds, payment to eligible entities must be made within a reasonable period of time after submission of the reimbursement request and necessary documentation. The Office of Community Services encourages consideration of all applicable State laws and procedures in circumstances in which credible allegations of waste, fraud, or abuse of funds are under formal investigation, but not yet conclusively documented. This may include circumstances in which the office has received whistle-blower complaints, referrals from a State or Federal investigative office, or evidence of misuse of funds in a related Federal or State program.

Conclusion

The appropriate use of CSBG funds is a shared responsibility between the Office of Community Services, State CSBG Lead Agencies, and eligible entities at the community level. The CSBG Act provides protections and responsibilities for organizations at each level. While the procedures for terminating eligibility or reducing funding for cause related to a deficiency are expected to apply to only a small percentage of eligible entities, all State and Federal officials involved with the CSBG program must be familiar with required procedures. It is strongly recommended that State CSBG Lead Agencies work closely with the Office of Community Services at each stage of the process to assure appropriate documentation of the process. The Office of Community Services will work closely with State CSBG Lead Agencies to assure due process for any affected organizations, to assure that procedures are executed efficiently and correctly in instances where warranted to prevent waste, fraud and abuse, and to promote the appropriate and effective use of funds to alleviate the causes and conditions of poverty in communities nationwide.

________/s/________________
Yolanda J. Butler, Ph.D.
Acting Director
Office of Community Services

Attachment:

- Sample Documentation Tool for Corrective Actions, Reductions, or Terminations of CSBG Funding For Cause

ATTACHMENT

Sample Documentation Tool
For Corrective Actions, Reductions, or
Terminations of CSBG Funding For Cause

The table provided below may be used by State CSBG Lead Agencies to assure appropriate documentation at each stage of the required process for corrective action, termination, or reduction of funding for organizational deficiencies. Some steps may be instituted concurrently and documentation (e.g. reports or correspondence) may include multiple steps. For example, a State may notify an eligible entity of deficiencies, offer appropriate technical assistance, and require a plan of correction within a single item of correspondence. The statutory requirements are described here as a series of discrete steps in order to assure that all key requirements are documented. Highlighted notes provided below are intended as a guidance regarding appropriate documentation and may be removed in an actual working document.

Community Services Block Grant (CSBG) Legislative Requirement – Section 678C	Activities Undertaken by the State with respect to the Eligible Entity in Compliance with Section 678C	Documentation in the Proceedings
Step 1: State conducts review pursuant to section 678B. §678C(a), 42 U.S.C. §9915(a)	*Describe the review dates, procedures, key participants.*	*Cite monitoring reports, working papers, or key correspondence.*
Step 2: State determines, on the basis of a final decision in a review pursuant to section 678B, that an eligible entity fails to comply with the terms of an agreement, or the State plan, to provide services under this subtitle or to meet appropriate standards, goals, and other requirements established by the State (including performance objectives). §678C(a), 42 U.S.C. §9915(a)	*Describe the basis for State determination.*	*Cite monitoring reports, working papers, and key correspondence relevant to State determination.*

Community Services Block Grant (CSBG) Legislative Requirement – Section 678C	**Activities Undertaken by the State with respect to the Eligible Entity in Compliance with Section 678C**	**Documentation in the Proceedings**
Step 3: State informs the entity of the deficiency to be corrected. §678C(a)(1), 42 U.S.C. §9915(a)(1)	*Describe the dates and method of notification.*	*Cite relevant correspondence, meeting notes and other documentation of communication.*
Step 4: State requires the entity to correct the deficiency. §678C(a)(2), 42 U.S.C. §9915(a)(2)	*Describe communication of State requirements, any associated deadlines or documentation requirements for eligible entities.*	*Cite relevant correspondence, meeting notes and other documentation of communication.*
Step 5: State determines whether training and technical assistance are appropriate. §678C(a)(3)(B), 42 U.S.C. §9915(a)(3)(B)	*Describe the rationale for determining whether training and technical assistance are appropriate to correct the deficiency. If training and technical assistance are not appropriate describe the basis for this determination.*	*Cite meeting notes and other documentation of communication.*
Step 6 (if appropriate): State offers training and technical assistance, if appropriate, to help correct the deficiency. §678C(a)(3)(A), 42 U.S.C. §9915(a)(3)(A)	*If applicable, describe and document the training and technical assistance offered to correct the deficiency.*	*Cite relevant correspondence, meeting notes and other documentation of communication.*
Step 7: State either (A) prepares and submits to the Secretary a report describing the training and technical assistance offered; or (B) *if the State determines that such training and technical assistance are not appropriate, prepares and submits to the Secretary a report stating the reasons for the determination.* §678C(a)(3), 42 U.S.C. §9915(a)(3)	*Provide a report documenting either:* - *the specific training and technical assistance offered; or* - *the State rationale for not providing technical assistance* *If training and technical assistance is offered, document whether the offer was accepted, when training and/or technical assistance was provided, and whether it was successful in addressing the deficiency.* *Note: In instances in which training and/or technical assistance are provided and the eligible entity successfully addresses the deficiency, the State should maintain documentation and may provide to the Office of Community Services for future reference.*	*Cite report submitted to HHS.*

Step 8 (Discretionary): At the discretion of the State (taking into account the seriousness of the deficiency and the time reasonably required to correct the deficiency), the State allows the entity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan to correct such deficiency within a reasonable period of time, as determined by the State; and not later than 30 days after receiving from an eligible entity a proposed quality improvement plan, either approve such proposed plan or specify the reasons why the proposed plan cannot be approved. §678C(a)(4), 42 U.S.C. §9915(a)(4)	*Maintain documentation of any quality improvement plans, State deadlines to correct identified deficiencies, whether or not the State approves the quality improvement plan.* *Note: In instances in which a quality improvement plan is implemented and the deficiency is corrected, the State should maintain documentation and may provide to the Office of Community Services for future reference.*	*Cite Quality Improvement Plans – If Applicable*
Step 9: State provides adequate notice and an opportunity for a hearing. §678C(a)(5), 42 U.S.C. §9915(a)(5)	*Describe, communication to eligible entity regarding the opportunity for a hearing, date of communication, and any applicable State policies, rules, or procedures.* *If applicable, describe hearings conducted to present and consider evidence relevant to State determination.* *If applicable, describe outcomes or findings of hearing.*	*Cite correspondence or public communication regarding the date and procedures for hearing.* *If applicable, cite documentation of the hearing, including official minutes or record of the presiding hearing official, official(s) or individual(s) responsible for determination of hearing findings or decisions; a list of individuals participating in the hearing; evidence presented at the hearing; and any outcomes or findings.*

Step 10: State initiates proceedings to terminate the designation of or reduce the funding under this subtitle of the eligible entity unless the entity corrects the deficiency. §678C(a)(5), 42 U.S.C. §9915(a)(5)	*Notification to eligible entity and HHS of State decision to terminate or reduce funding.* *Upon request, OCS review of State determination.* *Designation or redesignation of eligible entity to serve un-served areas in accordance with CBSG Act*.	*Cite official correspondence to eligible entity and HHS.* *If applicable, cite OCS approval or disapproval of State decision.*

Appendix B

COMMUNITY SERVICES BLOCK GRANT

Information Memorandum

U.S. Department of Health and Human Services
Administration for Children and Families
Office of Community Services
Division of State Assistance
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Transmittal No. 138 **Date: January 26, 2015**

TO: State Community Services Block Grant (CSBG) Administrators, U. S. Territory CSBG Administrators, Eligible Entities, and State Community Action Associations

SUBJECT: State Establishment of Organizational Standards for CSBG Eligible Entities under 678B of the CSBG Act, 42 U.S.C. § 9914

RELATED REFERENCES: Community Services Block Grant Act 42 U.S.C. § 9901 *et seq.*, hereafter referred to as "the CSBG Act."

This information memorandum (IM) provides guidance and describes State and Federal roles and responsibilities for the establishment of organizational standards as a component of a larger performance management and accountability system for CSBG. Consistent with the authority and responsibilities the CSBG Act establishes for the Federal office and States, OCS is requiring States, no later than FY 2016, to establish and report on their organizational standards for CSBG eligible entities as part of an enhanced system for accountability and performance management across the CSBG Network.

While States have discretion on the set of standards they may use, OCS recommends States use the organizational standards (Appendices 2 and 3) developed by the OCS-supported CSBG Organizational Standards Center of Excellence (COE), which reflect the requirements of the CSBG Act, good management practices, and the values of Community Action. These standards will ensure CSBG eligible entities have appropriate organizational capacity to deliver services to low-income individuals and communities.

The guidance in this IM applies to States, the District of Columbia, and U.S. Territories that support CSBG eligible entities. Tribal governments and organizations that receive CSBG directly from the Federal government are not included in this guidance, but will receive future guidance on a separate accountability and reporting process.

State Authority and Responsibility to Establish Organizational Standards

Under the block grant framework established in the CSBG Act, States have both the authority and the responsibility for effective oversight of eligible entities that receive CSBG funds. Section 678B of the CSBG Act (42 U.S.C. § 9914) requires State CSBG Lead Agencies to establish "performance goals, administrative standards, financial management requirements, and other requirements" that ensure an appropriate level of accountability and quality among the State's eligible entities. In order for States to meet these responsibilities under the CSBG Act, States must establish and communicate clear and comprehensive standards and hold eligible entities accountable according to the standards as part of their oversight duties.

Federal Authority and Responsibility for Organizational Standards

As the Federal office responsible for oversight of CSBG, the Office of Community Services (OCS) is responsible for monitoring to assure State compliance with the requirements of the CSBG Act and for providing training and technical assistance to help States carry out the requirements of the CSBG Act. Section 678B(c) (42 U.S.C. § 9914(c)) directs the U.S. Department of Health and Human Services (HHS) to conduct evaluations of the use of CSBG funds received by the States. Section 678A(a) (42 U.S.C 9913(a)) requires HHS to support training and technical assistance activities to assist States in monitoring activities to correct programmatic deficiencies of eligible entities, and for reporting and data collection activities.

Several sections of the CSBG Act provide authority or require OCS to collect information from States as part of the State plan or annual report regarding how the State will meet requirements of the CSBG Act. Section 676(b) (42 U.S.C. § 9908(b)) outlines authority for the collection of necessary information as part of a State application and plan. The statute provides the authority to collect "such information as the Secretary shall require," including a series of detailed assurances based on the requirements of the CSBG Act. To assure effective use of funds to meet the purposes of the statute, section 676(d) (42 U.S.C. § 9908(d)) states that the "Secretary may prescribe procedures for the purpose of assessing effectiveness of the eligible entities in carrying out the purpose of [the CSBG Act]."

Performance Management for CSBG

Budget constraints, high poverty levels, changing demographics, and income inequality demand that the CSBG Network remain vigilant in our shared mission of creating opportunity and security for all Americans. We must look at all levels of the CSBG Network – local, State, and Federal – to assess and increase CSBG's impact. The CSBG Network is far-reaching and nationwide. Together, we have the potential to achieve even greater results, in every community, by improving our accountability to one another, our customers, and our communities.

In an effort to help the CSBG Network increase accountability and achieve results, OCS launched several initiatives in 2012. One focused on establishing organizational standards for eligible entities. Under this effort, CSBG Network leaders developed and recommended a set of organizational standards to strengthen the capacity of the more than 1,000 eligible entities providing services across the country.

A second performance management initiative focused on enhancing the CSBG Network's performance and outcomes measurement system for local eligible entities – identified in the CSBG Act as Results Oriented Management and Accountability System (ROMA). Finally, a third initiative focused on creating State and Federal-level accountability measures to track and measure organizational performance by State CSBG Lead Agencies and OCS.

These three efforts are complementary and integrated; together they comprise a network-wide accountability and management system for CSBG. They will ensure eligible entities, States, and OCS operate within Federal law and regulation and will build accountability and continuous management improvement into all three levels of the network (local, State and Federal). As shown in Appendix 1, *Measuring the Success of Community Action and CSBG*, these efforts will help us answer the questions, 'How well did the Network perform?' and 'What difference did the Network make?' Ultimately, using these new and enhanced tools and information, the CSBG Network will make better program decisions and generate stronger results for low-income families and communities.

Organizational Standards for CSBG Eligible Entities - Background

In 2012, OCS funded a cooperative agreement for the CSBG Organizational Standards Center of Excellence (COE). The two-year cooperative agreement coordinated – with input from local, State, and national partners – the development and dissemination of a set of organizational standards for eligible entities for the purpose of ensuring that all CSBG eligible entities have the capacity to provide high-quality services to low-income individuals and communities.

To begin the project, the COE expanded an existing CSBG Working Group from its original 20 members to over 50 individuals. The expanded working group included a balanced representation from eligible entities, State CSBG Lead Agencies, Community Action State Associations, national partners, technical assistance providers, and external content experts.

The working group's first task was a thorough environmental scan and analysis of existing organizational oversight tools and resources, internal and external to the CSBG Network. The group found that while there are many similarities across States in how State CSBG Lead Agencies monitor eligible entities, substantial differences also exist.

The project continued through a nine-month development process that provided numerous opportunities for input by the CSBG Network, including financial and legal experts, on draft organizational standards. All together, the network invested over 3,500 documented hours in Working Group and committee meetings and in national and regional listening sessions. The final phase included a pilot that engaged a subset of State CSBG Lead Agencies and eligible entities in a field test of draft organizational standards and tools.

In March, 2014, OCS published a draft information memorandum with the draft organizational standards. OCS received 29 sets of comments (approximately 160 individual comments) from a broad range of individuals and organizations, including six CAAs; 12 states; five state associations; and six national organizations and individuals, and integrated all of this feedback into the final set of organizational standards.

The final result of the COE and OCS efforts is a comprehensive set of organizational standards developed *by* the CSBG Network *for* the CSBG Network. The CSBG Network is to be commended for its commitment to ongoing performance improvement and strengthening accountability.

The COE-developed Organizational Standards

The COE-developed standards are organized in three thematic groups comprising nine categories and totals of 58 standards for private, nonprofit eligible entities and 50 for public entities.

1. Maximum Feasible Participation
   - Consumer Input and Involvement
   - Community Engagement
   - Community Assessment

2. Vision and Direction
   - Organizational Leadership
   - Board Governance
   - Strategic Planning

3. Operations and Accountability
   - Human Resource Management
   - Financial Operations and Oversight
   - Data and Analysis

In order to be widely applicable across the CSBG Network, the standards are defined differently for private and public eligible entities. The complete description and list of private and public organizational standards are attached as Appendices 2 and 3, respectively.

All of the COE-developed organizational standards work together to characterize an effective and healthy organization. Some of the standards have direct links to the CSBG Act, such as the standards on the tripartite board structure and the democratic selection process. Some standards link with U.S. Office of Management and Budget (OMB) guidance, such as the standards on audits. As a whole, the standards reflect many of the requirements of the CSBG Act, applicable Federal laws and regulations, good management practices, and the values of Community Action.

The purpose of the organizational standards is to ensure that all eligible entities have appropriate organizational capacity, not only in the critical financial and administrative areas important to all nonprofit and public human service agencies, but also in areas of unique importance for CSBG-funded eligible entities. To fulfill the promise of the standards, States must provide consistent and high-quality oversight and technical assistance related to organizational standards. In addition, based on information about organizational capacity, States must work with the eligible entities to make informed programmatic decisions about how the agencies can best meet the needs of local low-income families and communities.

States and eligible entities that implement the COE standards will benefit from COE-developed tools, training, and technical assistance, and from the collective wisdom and scale of having many States using common standards (detailed tools and materials on the standards are available on the COE web page on the Community Action Partnership website). States using the COE standards will also benefit from a streamlined State plan process.

State Oversight

Section 678B of the CSBG Act (42 U.S.C. § 9914) requires State CSBG Lead Agencies to establish “performance goals, administrative standards, financial management requirements, and other requirements” that ensure an appropriate level of accountability and quality among the State’s eligible entities. The purpose of States using the organizational standards is to ensure each eligible entity has appropriate organizational capacity to fulfill the purposes of the CSBG Act. As noted below, States have discretion to determine how organizational standards will be implemented as part of their overall oversight strategy.

Assessment of Standards

Once the expectations for organizational standards are established and communicated to the eligible entities across a State, the State CSBG Lead Agency is responsible for assessing the status of standards among all of the eligible entities annually and for reporting to OCS on the standards in the CSBG Annual Report. States may design an approach for assessing organizational standards that fits within the oversight framework in their State. Many States may integrate standards assessment into their regular CSBG monitoring procedures, while other States may choose different oversight approaches, such as peer-review, assessment by a consultant or third party, or self-assessment. Some States may also choose a hybrid approach involving two or more strategies. Regardless of the approach, States must ensure the assessment of standards is independently verified by the State or a third party.

For example, a State on a triennial monitoring cycle may decide to assess the standards as part of their full onsite financial, administrative, and programmatic monitoring protocol. In the years between monitoring visits, the State may require entities to do self-assessments that are independently verified by a third party. In another example, a State may develop a process that includes peer review assessment that is then verified annually during regular State monitoring visits or a State desk review process.

States will describe their approach for assessing standards in their State plans, which will be subject to OCS review. Promising practices and other tools on integrating such assessment into a State’s oversight strategy will be available on the COE web page on the Community Action Partnership website.

States are responsible for ensuring that the eligible entities meet all State-established organizational standards. Some standards (i.e., strategic planning, developing an agency-wide budget, etc.) may take several years for eligible entities to meet, but every entity must make steady progress toward the goal of meeting all standards.

Corrective Action

During the assessment process, if a State finds an eligible entity is not meeting a standard or set of standards, the State’s response will depend on the circumstances. In cases where the eligible entity may be able to meet the standard in a reasonable time frame contingent on some targeted technical assistance, the State and entity may develop a technical assistance plan to target training and technical assistance resources and outline a time frame for the entity to meet the standard(s). If appropriate in other situations, the State may initiate action in accordance with section 678C of the CSBG Act (42 U.S.C. § 9915), including the establishment of a Quality Improvement Plan (QIP) with clear timelines and benchmarks for progress.

As long as the State is confident that the eligible entity is moving toward meeting standards, under a technical assistance plan, QIP, or other oversight mechanism, the State should not initiate action to terminate or reduce funding.

The failure of an eligible entity to meet multiple standards may reflect deeper organizational challenges and risk. In those cases, a State must determine whether it may be necessary to take additional actions, including reducing or terminating funding, in accordance with CSBG IM 116 (*Corrective Action, Termination, or Reduction of Funding*), issued May 1, 2012. OCS and States do not have the authority under the CSBG Act to bypass the process described in CSBG IM 116 in order to re-compete CSBG funding based on failure to meet organizational standards.

Implementation of Organizational Standards

The roll-out of organizational standards for eligible entities is a significant development in the history of CSBG and marks a new phase in our ability to strengthen accountability and results. While we expect States to move expeditiously in integrating organizational standards into their plans in FY 2016, we also recognize that States must manage this process thoughtfully so as to minimize unintended impact on their operations and those of the eligible entities.

State Considerations for an Effective Roll-out Process

As States establish new organizational standards for their eligible entities, they must follow a process that is consistent with State rules and is as fair and reasonable as possible. States should allow for input from the boards and leadership of eligible entities on the timing and procedures for implementing, documenting, and reporting on the standards. States should consistently integrate the organizational standards in State CSBG plans, contracts with eligible entities, funding documents, and oversight and monitoring instruments and reports. In particular, States should clearly communicate expectations around organizational standards prior to State oversight and monitoring activities. Once established, a State should only modify organizational standards based on established State rules and procedures that are publicly communicated and transparent (see Appendix 4: State Implementation of Organizational Standards – Key Considerations).

Process and Timing for Planning and Roll-out

States are expected to use organizational standards for assessing eligible entities starting in FY 2016. In order to do this, States must include information about organizational standards in their FY 2016 application and State plan, due September 1, 2015.

OCS encourages States to start planning for this process now, in FY 2015, particularly if State procedures for establishing official organizational standards may require a lengthy implementation period. For example, if a State uses regulation to establish official CSBG policy for the eligible entities, the State may want to begin that process in advance of the FY 2016 CSBG application cycle. The timelines for any necessary rulemaking, including any potential obstacles that would prevent full implementation by FY 2016, must be described in the State plan. OCS will work with States that may need additional time due to rulemaking issues.

Any State that submitted a two-year plan for FY 2015 (due September 1, 2014) that did not include organizational standards for FY 2016 will have to submit a supplemental application for FY 2016 that includes organizational standards. This submission will be incorporated into the process for the FY 2016 submission of the State's 424-M application, which States must submit annually online in order to receive CSBG funding.

CSBG Model State Plan and Annual Report

The CSBG Model State Plan and CSBG Annual Report are interconnected and work together to provide critical information to OCS, Congress, and other stakeholders. The CSBG Model State Plan establishes the plans and goals for the performance period, and the annual report cycle provides information on the State's progress toward fulfilling those goals. OCS envisions the Model State Plan to work together with the annual report to provide critical performance management information – including that of organizational standards – to be used by all three levels of the CSBG Network.

In accordance with authorities outlined in Section 676(b) of the CSBG Act (42 U.S.C. § 9908(b)), OCS is revising the Model State Plan for the FY 2016 application cycle (for applications due September 1, 2015) to incorporate items related to organizational standards. OCS will review these elements during the usual State plan review process. Because the COE standards are designed as a comprehensive and complete set, any State that proposes making a minor modification to the standards must document the rationale for the change in their State plan and reports; and any modification to the COE standards will be subject to OCS review.

The revised Model State Plan will require the State to describe:

- whether the State is using the COE-developed organizational standards (and any modifications, if applicable);
- alternative organizational standards, if applicable;
- the process for establishing organizational standards officially in the State (e.g., through State regulation, contract terms and conditions, or other official policy documents), including a timeline;
- the approach for assessing eligible entities against standards;
- procedures for corrective action activities based on organizational standards; and
- exceptions for limited purpose or very small eligible entities, if applicable.

States will report on the status of eligible entities based on organizational standards through the required CSBG Annual Report. In past years, States may have fulfilled their annual reporting requirements, under section 678E(a)(2) of the CSBG Act (42 U.S.C. § 9917(a)(2)), by providing data for the CSBG Information Survey. In the future, OCS will provide new instructions for States regarding annual reporting.

OCS will be revising the Annual Report forms to include information on organizational standards, such as a comparison of the State's actual activities and performance on organizational standards to the planned activities and performance in the State plan. The Annual Report forms will also include data on the new State CSBG Accountability Measures.

Alternative Organizational Standards

Some States may already have highly developed standards in place that may function well in fulfillment of State oversight requirements under the CSBG Act. In these cases, a State may establish and communicate organizational standards for its eligible entities that are different from the COE-developed standards.

However, a State that uses an alternative set of standards must demonstrate that the standards are at least as rigorous and comprehensive as the organizational standards developed by the COE. If a State establishes a different set of organizational standards, the alternative standards must encompass requirements of the CSBG Act and other Federal requirements, such as those found in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. Part 200), and should address the nine categories listed in the description of the COE-developed standards (e.g., consumer input and involvement, community engagement, etc.). OCS will review alternative standards during the application and State plan review process.

Exceptions for Limited-purpose Agencies and Special Circumstances

While the COE-developed organizational standards and related tools and materials are applicable to the vast majority of public and private CSBG eligible entities across the network, OCS recognizes that some States, according to their historical CSBG structure or other factors, may provide CSBG funds to certain entities for which the organizational standards may not be appropriate. These entities may include limited purpose agencies, State-funded tribal organizations, and migrant and seasonal farmworker organizations. In addition, organizational standards may not be applicable to entities with very small overall budgets (e.g., under $50,000) or entities that receive very minor CSBG allocations (e.g., $15,000).

In these special circumstances, States should assess both the applicability of the standards and the administrative burden for very small entities. States should also assess whether these agencies that are unable to meet the organizational standards are otherwise equipped to meet the purposes and goals of the CSBG Act, and whether alternative approaches, such as shared administrative supports or mergers, should be considered in order to assure appropriate capacity.

States may describe the rationale for not implementing the COE-developed or alternative organizational standards for these specific entities in their State plan, which will be subject to OCS review. However, as appropriate, States should describe other types of appropriate standards for excepted entities in order to ensure performance and accountability appropriate to the specific purpose and scope of the Federal support.

State Accountability Measures on Organizational Standards

States will report on organizational standards in part by using the new CSBG State Accountability Measures. These new accountability measures will require States to track data such as the percentage of eligible entities that met 100 percent of the organizational standards during the performance period and information on technical assistance plans and Quality Improvement Plans for eligible entities not meeting the standards during the performance period.

OCS is incorporating the State Accountability Measures into the CSBG Model State Plan and CSBG Annual Report forms and will clear them through the U.S. Office of Management and Budget (OMB). For more information on the CSBG State and Federal Accountability Measures, including the specific measures related to organizational standards, see the draft IM, *State and Federal Accountability Measures and Data Collection Modernization*.

CSBG Network Review and OMB Paperwork Reduction Act Clearance Process

As noted earlier, OCS is currently revising the Model State Plan and the CSBG Annual Report forms to incorporate performance management elements, as well as to create forms that are better integrated, web-based, and streamlined. OCS has and will continue to seek input from States and other CSBG Network stakeholders on the clarity, usability, and effectiveness of the revised documents.

As a part of this effort, OCS must clear the revised forms through OMB, as required under the Paperwork Reduction Act of 1995 (PRA). The PRA requires agencies and OMB to ensure that information collected from the public minimizes burden and maximizes practical utility. The OMB/PRA review and approval process includes a 60-day and a 30-day public comment period. For more information about the OMB/PRA clearance process, please see the Frequently Asked Questions on the U.S. Department of Health and Human Services website.

The COE-developed organizational standards themselves will not go through a formal OMB/PRA clearance process. Rather, OCS will clear elements related to the organizational standards (such as implementation plans, data collection for the accountability measures, etc.) that are incorporated in the CSBG Model State Plan and the CSBG Annual Report forms.

OCS expects to initiate the OMB/PRA clearance process for the CSBG Model State Plan in early 2015. Concurrently, we will begin automating the Model State Plan so that States can access it through the ACF Online Data Collection (OLDC) system. We anticipate States will use the online version of the revised Model State Plan for the FY 2016 application cycle (for applications due September 1, 2015).

Below is information on implementation timing and roll-out of the organizational standards for OCS, States, and eligible entities. If you have questions, please contact an OCS CSBG specialist. The list of OCS staff and contact information is posted on the OCS website at www.acf.hhs.gov/programs/ocs/resource/csbg-staff-assignments-by-region.

OCS Responsibilities

Responsibilities	Time Frame
CSBG Model State Plan: Complete the first revision with CSBG Network input	Fall 2014
Final IM on Organizational Standards: Publish	January 2015
CSBG Model State Plan: Program into the ACF Online Data Collection (OLDC) system	Approximately 6 months winter 2015 – spring 2015
CSBG Model State Plan: Request public comments; get HHS and OMB approval	Approximately 6 months winter 2015 – spring 2015
CSBG Model State Plan: Publish and provide training and technical assistance	Spring/summer 2015
Annual Report: Revise, automate, and get OMB approval; with the National Association for State Community Services Programs (NASCSP)	2015 - 2016

Note: Dates above are contingent on the time frame for final OMB/PRA clearance.

State Responsibilities

Responsibilities	Time Frame
Organizational Standards: Establish, communicate, and implement	2015
CSBG Model State Plan: Include organizational standards (States will submit State Plans through the OLDC system)	Due by September 1, 2015
Organizational Standards: Assess through established oversight procedures	Starting Federal Fiscal Year 2016
Annual Report: Report performance on organizational standards (State accountability measures)	End of 2016 performance period, by March 2017, as appropriate

CSBG Eligible Entity Responsibilities

Responsibilities	Time Frame
Organizational Standards: Self-assessment and planning for adoption of standards	2015
Organizational Standards: Assess through established State oversight procedures; Address identified weaknesses and share exceptional practices, with State and technical assistance providers	Starting Federal Fiscal Year 2016

Conclusion

Together we must insist upon accountability and performance management across the CSBG Network. The COE-developed organizational standards have the potential to protect and enhance the structural integrity of this national network by assuring that all entities that annually receive CSBG funds have the capacity to organize and support a comprehensive community response to the complex social problems that contribute to poverty.

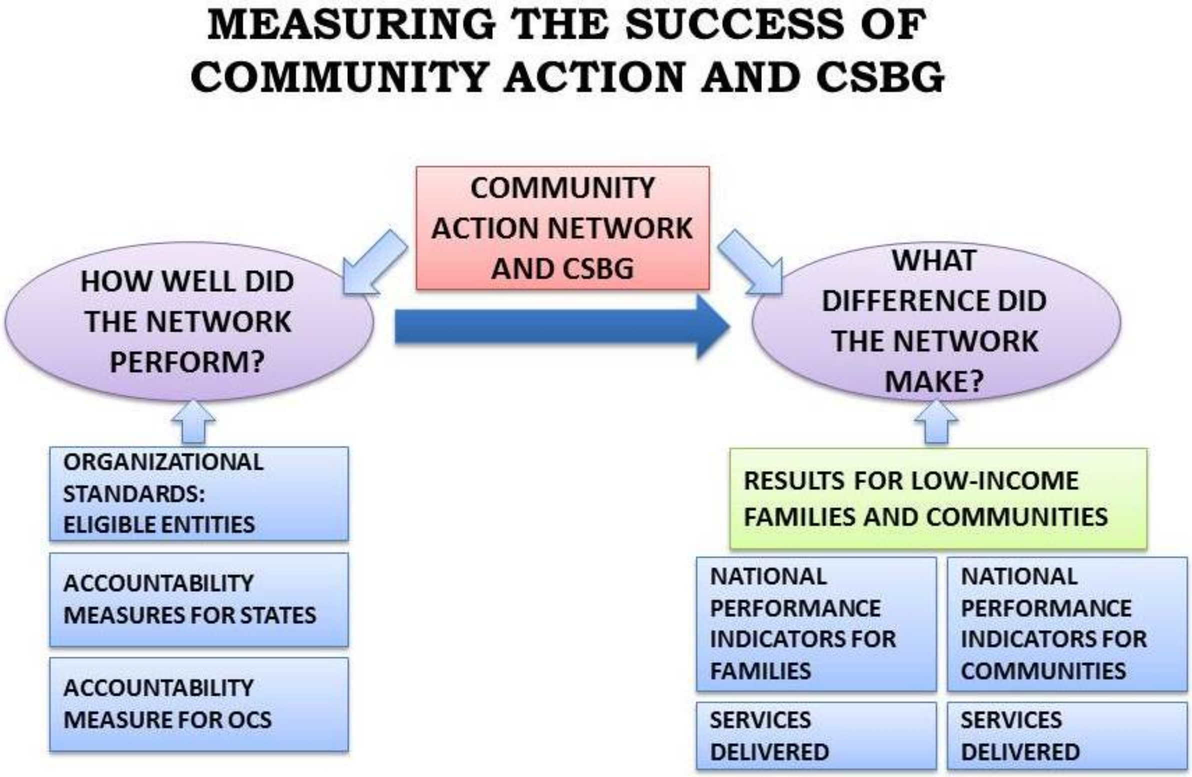
/s/

Jeannie L. Chaffin
Director
Office of Community Services

Appendices:

Appendix 1: Measuring the Success of Community Action and CSBG
Appendix 2: COE-developed Organizational Standards for Private, Nonprofit CSBG Eligible Entities
Appendix 3: COE-developed Organizational Standards for Public CSBG Eligible Entities
Appendix 4: State Implementation of Organizational Standards – Key Considerations

Appendix 1: Measuring the Success of Community Action and CSBG



Appendix 2: COE-developed Organizational Standards for Private, Nonprofit CSBG Eligible Entities

ORGANIZATIONAL STANDARDS FOR PRIVATE, NONPROFIT CSBG ELIGIBLE ENTITIES

MAXIMUM FEASIBLE PARTICIPATION

Category one: Consumer Input and Involvement

Community Action is rooted in the belief that people with low incomes are in the best position to express what they need to make a difference in their lives. CSBG eligible entities work in partnership with the people and communities they serve. Community Action works in a coordinated and comprehensive manner to develop programs and services that will make a critical difference in the lives of participants. Individuals and families are well attuned to what they need, and when Community Action taps into that knowledge, it informs our ability to implement high-impact programs and services.

Research shows that through engagement in community activities such as board governance, peer to peer leadership, advisory bodies, volunteering, and other participatory means, the poor build personal networks and increase their social capital so that they are able to move themselves and their families out of poverty. Community Action is grounded in helping families and communities build this social capital for movement to self-sufficiency.

Standard 1.1 • private	The organization demonstrates low-income individuals' participation in its activities.
Standard 1.2 • private	The organization analyzes information collected directly from low-income individuals as part of the community assessment.
Standard 1.3 • private	The organization has a systematic approach for collecting, analyzing, and reporting customer satisfaction data to the governing board.

Category two: Community Engagement

No CSBG eligible entity can meet all of a community's needs independently. Through formal and informal partnerships, ongoing community planning, advocacy, and engagement of people with low incomes, partners ranging from community and faith-based organizations, educational institutions, government, and business work together with Community Action Agencies and other CSBG eligible entities to successfully move families out of poverty and revitalize communities.

Community Action is often the backbone organization of community efforts to address poverty and community revitalization: leveraging funds, convening key partners, adding the voice of the underrepresented, and being the central coordinator of efforts. It is not an easy role to play, but a vital one for families and communities.

Standard 2.1 • private	The organization has documented or demonstrated partnerships across the community, for specifically identified purposes; partnerships include other anti-poverty organizations in the area.
Standard 2.2 • private	The organization utilizes information gathered from key sectors of the community in assessing needs and resources, during the community assessment process or other times. These sectors would include at minimum: community-based organizations, faith-based organizations, private sector, public sector, and educational institutions.
Standard 2.3 • private	The organization communicates its activities and its results to the community.
Standard 2.4 • private	The organization documents the number of volunteers and hours mobilized in support of its activities.

Category three: Community Assessment

Local control of Federal CSBG resources is predicated on regular comprehensive community assessments that take into account the breadth of community needs as well as the partners and resources available in a community to meet these needs. Regular assessment of needs and resources at the community level is the foundation of Community Action and a vital management and leadership tool that is used across the organization and utilized by the community to set the course for both CSBG and all agency resources.

Standard 3.1 • private	The organization conducted a community assessment and issued a report within the past 3 years.
Standard 3.2 • private	As part of the community assessment, the organization collects and includes current data specific to poverty and its prevalence related to gender, age, and race/ethnicity for their service area(s).
Standard 3.3 • private	The organization collects and analyzes both qualitative and quantitative data on its geographic service area(s) in the community assessment.
Standard 3.4 • private	The community assessment includes key findings on the causes and conditions of poverty and the needs of the communities assessed.
Standard 3.5 • private	The governing board formally accepts the completed community assessment.

VISION AND DIRECTION

Category four: Organizational Leadership

Community Action leadership is exemplified at all levels across the organization and starts with a mission that clarifies Community Action's work on poverty. A well-functioning board, a focused chief executive officer (CEO)/executive director, well-trained and dedicated staff, and volunteers giving of themselves to help others will establish Community Action as the cornerstone and leverage point to address poverty across the community. Ensuring strong leadership both for today and into the future is critical.

This category addresses the foundational elements of mission as well as the implementation of the Network's model of good performance management (ROMA). It ensures CAAs have taken steps to plan thoughtfully for today's work and tomorrow's leadership.

Standard 4.1 • private

The governing board has reviewed the organization's mission statement within the past 5 years and assured that:

1. The mission addresses poverty; and
2. The organization's programs and services are in alignment with the mission.

Standard 4.2 • private

The organization's Community Action plan is outcome-based, anti-poverty focused, and ties directly to the community assessment.

Standard 4.3 • private

The organization's Community Action plan and strategic plan document the continuous use of the full Results Oriented Management and Accountability (ROMA) cycle or comparable system (assessment, planning, implementation, achievement of results, and evaluation). In addition, the organization documents having used the services of a ROMA-certified trainer (or equivalent) to assist in implementation.

Standard 4.4 • private

The governing board receives an annual update on the success of specific strategies included in the Community Action plan.

Standard 4.5 • private

The organization has a written succession plan in place for the CEO/executive director, approved by the governing board, which contains procedures for covering an emergency/unplanned, short-term absence of 3 months or less, as well as outlines the process for filling a permanent vacancy.

Standard 4.6 • private

An organization-wide, comprehensive risk assessment has been completed within the past 2 years and reported to the governing board.

Category five: Board Governance

Community Action boards are uniquely structured to ensure maximum feasible participation by the entire community, including those the network serves. By law, Community Action boards are comprised of at least 1/3 low-income consumers (or their representatives), 1/3 elected officials (or their appointees), and the remainder private-sector community members. To make this structure work as intended, CAAs must recruit board members thoughtfully, work within communities to promote opportunities for board service, and orient, train, and support them in their oversight role. Boards are foundational to good organizational performance and the time invested to keep them healthy and active is significant, but necessary.

Standard 5.1 • private The organization's governing board is structured in compliance with the CSBG Act:

1. At least one third democratically-selected representatives of the low-income community;
2. One-third local elected officials (or their representatives); and
3. The remaining membership from major groups and interests in the community.

Standard 5.2 • private The organization's governing board has written procedures that document a democratic selection process for low-income board members adequate to assure that they are representative of the low-income community.

Standard 5.3 • private The organization's bylaws have been reviewed by an attorney within the past 5 years.

Standard 5.4 • private The organization documents that each governing board member has received a copy of the bylaws within the past 2 years.

Standard 5.5 • private The organization's governing board meets in accordance with the frequency and quorum requirements and fills board vacancies as set out in its bylaws.

Standard 5.6 • private Each governing board member has signed a conflict of interest policy within the past 2 years.

Standard 5.7 • private The organization has a process to provide a structured orientation for governing board members within 6 months of being seated.

Standard 5.8 • private Governing board members have been provided with training on their duties and responsibilities within the past 2 years.

Standard 5.9 • private The organization's governing board receives programmatic reports at each regular board meeting.

Category six: Strategic Planning

Establishing the vision for a Community Action Agency is a big task and setting the course to reach it through strategic planning is serious business. CSBG eligible entities take on this task by looking both at internal functioning and at the community's needs. An efficient organization knows where it is headed, how the board and staff fit into that future, and how it will measure its success in achieving what it has set out to do. This agency-wide process is board-led and ongoing. A "living, breathing" strategic plan with measurable outcomes is the goal, rather than a plan that gets written but sits on a shelf and stagnates. Often set with an ambitious vision, strategic plans set the tone for the staff and board and are a key leadership and management tool for the organization.

Standard 6.1 • private	The organization has an agency-wide strategic plan in place that has been approved by the governing board within the past 5 years.
Standard 6.2 • private	The approved strategic plan addresses reduction of poverty, revitalization of low-income communities, and/or empowerment of people with low incomes to become more self-sufficient.
Standard 6.3 • private	The approved strategic plan contains family, agency, and/or community goals.
Standard 6.4 • private	Customer satisfaction data and customer input, collected as part of the community assessment, is included in the strategic planning process.
Standard 6.5 • private	The governing board has received an update(s) on progress meeting the goals of the strategic plan within the past 12 months.

OPERATIONS AND ACCOUNTABILITY

Category seven: Human Resource Management

The human element of Community Action's work is evident at all levels of the organization and the relationship an organization has with its staff often reflects the organization's values and mission. Oversight of the chief executive officer (CEO)/executive director and maintaining a strong human resources infrastructure are key responsibilities of board oversight. Attention to organizational elements such as policies and procedures, performance appraisals, and training lead to strong organizations with the capacity to deliver high-quality services in low-income communities.

Standard 7.1 • private	The organization has written personnel policies that have been reviewed by an attorney and approved by the governing board within the past 5 years.
Standard 7.2 • private	The organization makes available the employee handbook (or personnel policies in cases without a handbook) to all staff and notifies staff of any changes.
Standard 7.3 • private	The organization has written job descriptions for all positions, which have been updated within the past 5 years.
Standard 7.4 • private	The governing board conducts a performance appraisal of the CEO/executive director within each calendar year.
Standard 7.5 • private	The governing board reviews and approves CEO/executive director compensation within every calendar year.
Standard 7.6 • private	The organization has a policy in place for regular written evaluation of employees by their supervisors.
Standard 7.7 • private	The organization has a whistleblower policy that has been approved by the governing board.
Standard 7.8 • private	All staff participate in a new employee orientation within 60 days of hire.
Standard 7.9 • private	The organization conducts or makes available staff development/training (including ROMA) on an ongoing basis.

Category eight: Financial Operations and Oversight

The fiscal bottom line of Community Action is not isolated from the mission, it is a joint consideration. Community Action boards and staff maintain a high level of fiscal accountability through audits, monitoring by State and Federal agencies, and compliance with Federal Office of Management Budget circulars. The management of Federal funds is taken seriously by CSBG eligible entities and the Standards specifically reflect the board's oversight role as well as the day-to-day operational functions.

Standard 8.1 • private	The organization's annual audit (or audited financial statements) is completed by a Certified Public Accountant on time in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements.
Standard 8.2 • private	All findings from the prior year's annual audit have been assessed by the organization and addressed where the governing board has deemed it appropriate.
Standard 8.3 • private	The organization's auditor presents the audit to the governing board.
Standard 8.4 • private	The governing board formally receives and accepts the audit.
Standard 8.5 • private	The organization has solicited bids for its audit within the past 5 years.
Standard 8.6 • private	The IRS Form 990 is completed annually and made available to the governing board for review.
Standard 8.7 • private	The governing board receives financial reports at each regular meeting that include the following: 1. Organization-wide report on revenue and expenditures that compares budget to actual, categorized by program; and 2. Balance sheet/statement of financial position.
Standard 8.8 • private	All required filings and payments related to payroll withholdings are completed on time.
Standard 8.9 • private	The governing board annually approves an organization-wide budget.
Standard 8.10 • private	The fiscal policies have been reviewed by staff within the past 2 years, updated as necessary, with changes approved by the governing board.

Standard 8.11 • private A written procurement policy is in place and has been reviewed by the governing board within the past 5 years.

Standard 8.12 • private The organization documents how it allocates shared costs through an indirect cost rate or through a written cost allocation plan.

Standard 8.13 • private The organization has a written policy in place for record retention and destruction.

Category nine: Data and Analysis

The Community Action Network moves families out of poverty every day across this country and needs to produce data that reflect the collective impact of these efforts. Individual stories are compelling when combined with quantitative data: *no data without stories and no stories without data*. Community Action needs to better document the outcomes families, agencies, and communities achieve. The Community Services Block Grant funding confers the obligation and opportunity to tell the story of agency-wide impact and community change, and in turn the impact of the Network as a whole.

Standard 9.1 • private	The organization has a system or systems in place to track and report client demographics and services customers receive.
Standard 9.2 • private	The organization has a system or systems in place to track family, agency, and/or community outcomes.
Standard 9.3 • private	The organization has presented to the governing board for review or action, at least within the past 12 months, an analysis of the agency's outcomes and any operational or strategic program adjustments and improvements identified as necessary.
Standard 9.4 • private	The organization submits its annual CSBG Information Survey data report and it reflects client demographics and organization-wide outcomes.

Appendix 3: COE-developed Organizational Standards for Public CSBG Eligible Entities

ORGANIZATIONAL STANDARDS FOR PUBLIC CSBG ELIGIBLE ENTITIES

MAXIMUM FEASIBLE PARTICIPATION

Category one: Consumer Input and Involvement

Community Action is rooted in the belief that people with low incomes are in the best position to express what they need to make a difference in their lives. CSBG eligible entities work in partnership with the people and communities they serve. Community Action works in a coordinated and comprehensive manner to develop programs and services that will make a critical difference in the lives of participants. Individuals and families are well attuned to what they need, and when Community Action taps into that knowledge, it informs our ability to implement high impact programs and services.

Research shows that through engagement in community activities such as board governance, peer to peer leadership, advisory bodies, volunteering, and other participatory means, the poor build personal networks and increase their social capital so that they are able to move themselves and their families out of poverty. Community Action is grounded in helping families and communities build this social capital for movement to self-sufficiency.

Standard 1.1 • public	The department demonstrates low-income individuals' participation in its activities.
Standard 1.2 • public	The department analyzes information collected directly from low-income individuals as part of the community assessment.
Standard 1.3 • public	The department has a systematic approach for collecting, analyzing, and reporting customer satisfaction data to the tripartite board/advisory body, which may be met through broader local government processes.

Category two: Community Engagement

No CSBG eligible entity can meet all of a community's needs independently. Through formal and informal partnerships, ongoing community planning, advocacy, and engagement of people with low incomes, partners ranging from community and faith-based organizations, educational institutions, government, and business can work together with Community Action agencies and other CSBG eligible entities to successfully move families out of poverty and revitalize communities.

Community Action is often the backbone organization of community efforts to address poverty and community revitalization: leveraging funds, convening key partners, adding the voice of the underrepresented, and being the central coordinator of efforts. It is not an easy role to play, but a vital one for families and communities.

Standard 2.1 • public	The department has documented or demonstrated partnerships across the community, for specifically identified purposes; partnerships include other anti-poverty organizations in the area.
Standard 2.2 • public	The department utilizes information gathered from key sectors of the community in assessing needs and resources, during the community assessment process or other times. These sectors would include at minimum: community-based organizations, faith-based organizations, private sector, public sector, and educational institutions.
Standard 2.3 • public	The department communicates its activities and its results to the community.
Standard 2.4 • public	The department documents the number of volunteers and hours mobilized in support of its activities.

Category three: Community Assessment

Local control of Federal CSBG resources is predicated on regular comprehensive community assessments that take into account the breadth of community needs as well as the partners and resources available in a community to meet these needs. Regular assessment of needs and resources at the community level is the foundation of Community Action and a vital management and leadership tool that is used across the organization and utilized by the community to set the course for both CSBG and all agency resources.

Standard 3.1 • public	The department conducted or was engaged in a community assessment and issued a report within the past 3 years, if no other report exists.
Standard 3.2 • public	As part of the community assessment, the department collects and includes current data specific to poverty and its prevalence related to gender, age, and race/ethnicity for their service area(s).
Standard 3.3 • public	The department collects and analyzes both qualitative and quantitative data on its geographic service area(s) in the community assessment.
Standard 3.4 • public	The community assessment includes key findings on the causes and conditions of poverty and the needs of the communities assessed.
Standard 3.5 • public	The tripartite board/advisory body formally accepts the completed community assessment.

VISION AND DIRECTION

Category four: Organizational Leadership

Community Action leadership is exemplified at all levels across the organization and starts with a mission that clarifies Community Action's work on poverty. A well-functioning board, a focused department head, well-trained and dedicated staff, and volunteers giving of themselves to help others will establish Community Action as the cornerstone and leverage point to address poverty across the community. Ensuring strong leadership both for today and into the future is critical.

This category addresses the foundational elements of mission as well as the implementation of the Network's model of good performance management (ROMA). It ensures CAAs have taken steps to plan thoughtfully for today's work and tomorrow's leadership.

Standard 4.1 • public	The tripartite board/advisory body has reviewed the department's mission statement within the past 5 years and assured that: 1. The mission addresses poverty; and 2. The CSBG programs and services are in alignment with the mission.
Standard 4.2 • public	The department's Community Action plan is outcome-based, anti-poverty focused, and ties directly to the community assessment.
Standard 4.3 • public	The department's Community Action plan and strategic plan document the continuous use of the full Results Oriented Management and Accountability (ROMA) cycle or comparable system (assessment, planning, implementation, achievement of results, and evaluation). In addition, the department documents having used the services of a ROMA-certified trainer (or equivalent) to assist in implementation.
Standard 4.4 • public	The tripartite board/advisory body receives an annual update on the success of specific strategies included in the Community Action plan.
Standard 4.5 • public	The department adheres to its local government's policies and procedures around interim appointments and processes for filling a permanent vacancy.
Standard 4.6 • public	The department complies with its local government's risk assessment policies and procedures.

Category five: Board Governance

Community Action boards are uniquely structured to ensure maximum feasible participation by the entire community, including those the Network serves. By law, Community Action boards are comprised of at least 1/3 low-income consumers (or their representatives), 1/3 elected officials (or their appointees), and the remainder private-sector community members. To make this structure work as intended, CAAs must recruit board members thoughtfully, work within communities to promote opportunities for board service, and orient, train, and support them in their oversight role. Boards are foundational to good organizational performance and the time invested to keep them healthy and active is significant, but necessary.

Standard 5.1 • public

The department's tripartite board/advisory body is structured in compliance with the CSBG Act, by either:

1. Selecting the board members as follows:
    - At least one third are democratically-selected representatives of the low-income community;
    - One-third are local elected officials (or their representatives); and
    - The remaining members are from major groups and interests in the community; or

2. Selecting the board through another mechanism specified by the State to assure decision-making and participation by low-income individuals in the development, planning, implementation, and evaluation of programs.

Standard 5.2 • public

The department's tripartite board/advisory body either has:

1. Written procedures that document a democratic selection process for low-income board members adequate to assure that they are representative of the low-income community, or
2. Another mechanism specified by the State to assure decision-making and participation by low-income individuals in the development, planning, implementation, and evaluation of programs.

Please note under IM 82 for Public Entities the law also requires that a minimum of 1/3 of tripartite board membership be comprised of representatives of low-income individuals and families who reside in areas served.

Standard 5.3 • public

Not applicable: Review of bylaws by an attorney is outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.

Standard 5.4 • public

The department documents that each tripartite board/advisory body member has received a copy of the governing documents, within the past 2 years.

Standard 5.5 • public	The department's tripartite board/advisory body meets in accordance with the frequency and quorum requirements and fills board vacancies as set out in its governing documents.
Standard 5.6 • public	Each tripartite board/advisory body member has signed a conflict of interest policy, or comparable local government document, within the past 2 years.
Standard 5.7 • public	The department has a process to provide a structured orientation for tripartite board/advisory body members within 6 months of being seated.
Standard 5.8 • public	Tripartite board/advisory body members have been provided with training on their duties and responsibilities within the past 2 years.
Standard 5.9 • public	The department's tripartite board/advisory body receives programmatic reports at each regular board/advisory meeting.

Category six: Strategic Planning

Establishing the vision for a Community Action agency is a big task and setting the course to reach it through strategic planning is serious business. CSBG eligible entities take on this task by looking both at internal functioning and at the community's needs. An efficient organization knows where it is headed, how the board and staff fit into that future, and how it will measure its success in achieving what it has set out to do. This agency-wide process is board-led and ongoing. A "living, breathing" strategic plan with measurable outcomes is the goal, rather than a plan that gets written but sits on a shelf and stagnates. Often set with an ambitious vision, strategic plans set the tone for the staff and board and are a key leadership and management tool for the organization.

Standard 6.1 • public	The department has a strategic plan, or comparable planning document, in place that has been reviewed and accepted by the tripartite board/advisory body within the past 5 years. If the department does not have a plan, the tripartite board/advisory body will develop the plan.
Standard 6.2 • public	The approved strategic plan, or comparable planning document, addresses reduction of poverty, revitalization of low-income communities, and/or empowerment of people with low incomes to become more self-sufficient.
Standard 6.3 • public	The approved strategic plan, or comparable planning document, contains family, agency, and/or community goals.
Standard 6.4 • public	Customer satisfaction data and customer input, collected as part of the community assessment, is included in the strategic planning process, or comparable planning process.
Standard 6.5 • public	The tripartite board/advisory body has received an update(s) on progress meeting the goals of the strategic plan/comparable planning document within the past 12 months.

OPERATIONS AND ACCOUNTABILITY

Category seven: Human Resource Management

The human element of Community Action's work is evident at all levels of the organization and the relationship an organization has with its staff often reflects the organization's values and mission. Oversight of the department head and maintaining a strong human resources infrastructure are key responsibilities of board oversight. Attention to organizational elements such as policies and procedures, performance appraisals, and training lead to strong organizations with the capacity to deliver high-quality services in low-income communities.

Standard 7.1 • public	Not applicable: Local governmental personnel policies are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.
Standard 7.2 • public	The department follows local governmental policies in making available the employee handbook (or personnel policies in cases without a handbook) to all staff and in notifying staff of any changes.
Standard 7.3 • public	The department has written job descriptions for all positions. Updates may be outside of the purview of the department.
Standard 7.4 • public	The department follows local government procedures for performance appraisal of the department head.
Standard 7.5 • public	The compensation of the department head is made available according to local government procedure.
Standard 7.6 • public	The department follows local governmental policies for regular written evaluation of employees by their supervisors.
Standard 7.7 • public	The department provides a copy of any existing local government whistleblower policy to members of the tripartite board/advisory body at the time of orientation.
Standard 7.8 • public	The department follows local governmental policies for new employee orientation.
Standard 7.9 • public	The department conducts or makes available staff development/training (including ROMA training) on an ongoing basis.

Category eight: Financial Operations and Oversight

The fiscal bottom line of Community Action is not isolated from the mission; it is a joint consideration. Community Action boards and staff maintain a high level of fiscal accountability through audits, monitoring by State and Federal agencies, and compliance with Federal Office of Management Budget circulars. The management of Federal funds is taken seriously by CSBG eligible entities and the Standards specifically reflect the board's oversight role as well as the day-to-day operational functions.

Standard 8.1 • public	The department's annual audit is completed through the local governmental process in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. This may be included in the municipal entity's full audit.
Standard 8.2 • public	The department follows local government procedures in addressing any audit findings related to CSBG funding.
Standard 8.3 • public	The department's tripartite board/advisory body is notified of the availability of the local government audit.
Standard 8.4 • public	The department's tripartite board/advisory body is notified of any findings related to CSBG funding.
Standard 8.5 • public	Not applicable: The audit bid process is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.
Standard 8.6 • public	Not applicable: The Federal tax reporting process for local governments is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.
Standard 8.7 • public	The tripartite board/advisory body receives financial reports at each regular meeting, for those program(s) the body advises, as allowed by local government procedure.
Standard 8.8 • public	Not applicable: The payroll withholding process for local governments is outside of the purview of the department, therefore this standard does not apply to public entities.
Standard 8.9 • public	The tripartite board/advisory body has input as allowed by local governmental procedure into the CSBG budget process.

Standard 8.10 • public Not applicable: The fiscal policies for local governments are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.

Standard 8.11 • public Not applicable: Local governmental procurement policies are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.

Standard 8.12 • public Not applicable: A written cost allocation plan is outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.

Standard 8.13 • public The department follows local governmental policies for document retention and destruction.

Category nine: Data and Analysis

The Community Action Network moves families out of poverty every day across this country and needs to produce data that reflect the collective impact of these efforts. Individual stories are compelling when combined with quantitative data: *no data without stories and no stories without data*. Community Action needs to better document the outcomes families, agencies, and communities achieve. The Community Services Block Grant funding confers the obligation and opportunity to tell the story of agency-wide impact and community change, and in turn the impact of the Network as a whole.

Standard 9.1 • public	The department has a system or systems in place to track and report client demographics and services customers receive.
Standard 9.2 • public	The department has a system or systems in place to track family, agency, and/or community outcomes.
Standard 9.3 • public	The department has presented to the tripartite board/advisory body for review or action, at least within the past 12 months, an analysis of the agency's outcomes and any operational or strategic program adjustments and improvements identified as necessary.
Standard 9.4 • public	The department submits its annual CSBG Information Survey data report and it reflects client demographics and CSBG-funded outcomes.

Appendix 4: State Implementation of Organizational Standards – Key Considerations

Critical Action Area	Description	Critical Partners and Available Resources
Initial discussions with key partners in the State	*State convenes discussions with eligible entities, State CAA Association, and other partners to discuss process and timeline for adopting COE-developed organizational standards.*	State CSBG Lead Agency, eligible entities, State CAA Association
Assessment of State laws and rulemaking requirements	*State CSBG officials, legal counsel, and contracting officials review existing State laws, regulations, and contracting procedures for necessary actions or venues for communication of standards (e.g. State register).*	State procurement office, State agency counsel, National Association for State Community Services Programs (NASCSP), Community Action Program Legal Services, Inc.
Development and public notification of State standards	*After review of current rules, standards and requirements, State CSBG officials identify and communicate anticipated organizational standards for CSBG eligible entities. Standards are communicated in writing through State register notice, website publication, or other public notice consistent with State procedures and rulemaking requirements.*	CSBG Organizational Standards Center of Excellence
Opportunities for input on timelines and procedures	*Through public meetings, consultations, hearings, and written input processes, States provide opportunities for input from CSBG eligible entities and other stakeholders on the timelines and procedures for implementation of organizational standards, including processes for incorporating into State monitoring procedures and organizational bylaws, as appropriate.*	CSBG Regional Performance and Innovation Consortia (RPIC), State CAA Association
Development and communication of technical assistance strategies	*In partnership with State and national technical assistance partners, the State establishes and communicates a technical assistance strategy to help assure that all CSBG eligible entities have access to technical assistance to meet required standards. Assistance in agency self-assessment may be provided. Technical assistance may be funded through State discretionary resources, may be sponsored federally, or may be paid for by affected organizations, as appropriate.*	CSBG Organizational Standards Center of Excellence, CSBG Learning Communities Resource Center, CSBG Risk Mitigation Training and Technical Assistance Center, CSBG RPIC, State CSBG Associations, Office of Community Services (OCS) State Liaison staff
Incorporation of standards in State CSBG Plan	*State CSBG officials incorporate organizational standards and procedures for implementation into annual State CSBG Plans. These plans are made available for*	NASCSP, CSBG Organizational Standards Center of Excellence, OCS State Liaison staff

Critical Action Area	Description	Critical Partners and Available Resources
	public inspection consistent with requirements in the CSBG Act and are submitted for Federal review as part of the application for CSBG funds.	
Incorporation of standards in local CSBG Plans and agency procedures	*Eligible entity boards and leadership incorporate organizational standards into agency procedures and practices, as appropriate, to assure compliance with all standards and procedures. Compliance with organizational standards is incorporated into board oversight and executive performance plans as appropriate.*	CSBG Organizational Standards of Excellence, Community Action Program Legal Services, Inc., State CAA Associations
Assessment and communication of results	*State organizational standards are incorporated into State oversight procedures. As required under the CSBG Act, a full onsite review is conducted at least once every three years and ad hoc monitoring is conducted as necessary.*	NASCSP, CSBG Organizational Standards Center of Excellence, OCS State Liaison staff
Corrective action cycle	*When State identifies non-compliance through State monitoring, it clearly communicates specific deficiencies and requirements for corrective action and offers technical assistance as appropriate. As necessary, States may initiate further procedures or funding actions consistent with the CSBG Act. In situations in which an eligible entity does not correct significant deficiencies within required deadlines, or in which widespread or systemic issues are identified that cannot feasibly be corrected in a reasonable timeframe, a State may initiate action to terminate eligible entity status consistent with the CSBG Act. Conversely, agencies that are identified as having best practices related to State standards may be identified as exemplars and assist in quality improvement efforts as appropriate.*	CSBG Learning Communities Resource Center, CSBG Risk Mitigation Training and Technical Assistance Center, State CSBG Associations, OCS State Liaison staff Note: For detailed guidance on CSBG requirements, see IM 116.

Appendix C

CSBG Monitoring Legal Framework

The federal Community Services Block Grant Act (CSBG) Act, 42 U.S.C. § 9914(a), sets forth the following four parameters within which a state CSBG office must monitor an eligible entity / community action agency (CAA):

1. Performance goals;
2. Administrative standards;
3. Financial management requirements; and
4. Other state requirements.

A variety of applicable laws and guidance, many of which are described or noted below, flesh out the four parameters. The list below is not all-inclusive, rather, it is intended to provide a deeper understanding of the legal framework CAAs and state CSBG offices typically navigate within the CSBG monitoring context:

1. **Performance Goals**: The following provisions of the CSBG Act establish the performance goals a CAA must meet and a state must assess when monitoring a CAA:
   - Purposes and Goals (42 U.S.C. § 9901(2))
     Describes the goals of the CSBG Act to provide assistance to states and local communities by working through a network of CAAs and other neighborhood-based organizations to reduce poverty, revitalize low-income communities, and empower low-income families and individuals in rural and urban areas to become fully self-sufficient.
   - State Assurances (42 U.S.C. § 9908(b))
     Sets forth the promises a state is required to make in its state plan regarding the types of activities CSBG monies fund and the ways in which CAAs meet the needs of the community served.
   - Performance Measurement System (42 U.S.C. § 9908(b)(12))
     Requires states to participate in a performance measurement system, such as the Results Oriented Management and Accountability System (ROMA).
   - Drug and Child Support Services and Referrals (42 U.S.C. § 9919)
     Requires CAAs to either inform custodial parents from single-parent families who are clients about the availability of child support services or refer the parents to state and local government child support offices. Also allows states to implement drug testing of program participants and referral to rehabilitation services at the state's expense.
   - Performance Reporting Requirements (42 U.S.C. § 9917)
     Instructs states to compare actual and planed uses and report the number of low-income persons served.

2. **Administrative Standards**: The following provisions of the CSBG Act and federal Office of Community Services (OCS) guidance set forth many of the administrative requirements that govern a CAA and that a state reviews as part of the monitoring process:

- Board Composition (42 U.S.C. § 9910)
  Establishes the tripartite structure of the governing board and the responsibility of board members to fully participate in the development, planning, implementation, and evaluation of CSBG funded activities.
- Board Composition and Governance Guidance (IM 82)
  Offers non-binding guidance on board composition and the role and responsibilities of board members.
- Limitations on Use of CSBG Funds (42 U.S.C. § 9918)
  Lists restrictions on how an eligible entity may use CSBG funds, such as prohibiting use of CSBG funds to pay for political activities. Also incorporates by reference the application of federal nondiscrimination laws relating to race, color, national origin, sex, age, and disabilities.
- Limitations on Permanent Improvements to Property (OCS IM 60)
  Offers non-binding guidance about the prohibition against using CSBG funds for the purchase or improvement of real property and HHS's right to waive the prohibition.
- CSBG Terms and Conditions
  Incorporates by reference the application of federal laws which generally ensure that federally funded programs do not discriminate basis of age, disability, faith, race, and sex and certain cross-cutting federal grant laws, such as the debarment and suspension regulations and the Drug-Free Workplace Act.   state CSBG office agrees to comply with the CSBG Terms and conditions when it accepts CSBG funding from OCS. Those terms and conditions are then incorporated into CSBG agreements between states and CAAs.

3. **Financial Management Requirements**: The following provisions of the CSBG Act and federal financial assistance rules, along with OCS guidance, set forth requirements a CAA must meet and a state must assess when monitoring a CAA:
   - Fiscal Controls and Audits (42 U.S.C. § 9916): Establishes that a state is required to ensure that a CAA complies with certain Subparts and provisions of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 2 C.F.R. Part 200[1]. Those provisions include:
     - *Subpart E Cost Principles* which establish a baseline for when a CAA may use federal funds to pay for a cost and how a CAA recovers costs from its federal funding. The selected items of costs are not intended to be a comprehensive list of potential items of cost encountered under Federal awards. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable.
     - *Subpart F Audit Requirements* requires a recipient or subrecipient of federal funds to undergo a single audit as required by the Single Audit Act when the recipient or

[1] Section 200.10(e)(1)) establishes which provisions of the Uniform Guidance apply to entities that receive CSBG funding.

subrecipient expends a certain amount of federal funds in its fiscal year.

- *Section 200.203 Requirement to provide public notice of Federal financial assistance programs*, requires federal agencies to maintain an accurate list of Federal programs.
- *Section 200.216, Prohibition on certain telecommunications and video surveillance equipment or services*, prohibits recipients and subrecipients from obligating or expending federal funds to procure or obtain telecommunication equipment or services produced by certain Chinese companies.
- *Sections 200.331 through 200.333 Subrecipient Monitoring and Management*, mainly sets forth the factors to consider when making subrecipient and contractor determinations and outlines the requirements for pass-through entities.

▪ Direct and Administrative Costs (IM 37) Offers non-binding guidance on the overarching principles guiding the use of CSBG funds and addresses the allowability of "direct" and "administrative" costs.

▪ Corrective Action, Termination or Reduction of Funding Guidance (IM 116): Offers non-binding guidance that state CSBG offices are expected to fully investigate any instances of whistleblower complaints or allegations of fraud or abuse of CSBG funds or funds from closely-related programs.

4. **State Requirements**: A state is permitted to develop more detailed state requirements to implement the CSBG Act, as long as the state's requirements do not conflict with federal law and comply with the state laws for adopting legally binding requirements, namely the state's administrative procedures act.

▪ HHS Block Grant regulations, (45 C.F.R. Part 96) as applicable to monitoring mainly establishes the standard of review OCS will engage in when determining if a state requirement conflicts with the federal CSBG Act, see § 96.50(e).

▪ The 2016 Appropriations Act[2] required states to adopt performance standards issued by the U.S. Department of Health and Human Services (HHS) for organizations receiving CSBG funds. The HHS performance standards are the CSBG Organizational Standards as set forth in IM 138.

▪ Additional state requirements, including the CSBG Organizational Standards, are reflected in one or more of the following forms:

- State CSBG Act and regulations,
- State policies and manuals,
- State CSBG plan, and
- State CSBG subgrant agreement with the CAA

[2] Public Law 114-113, Consolidated Appropriations Act, 2016.

Appendix D:

Sample State CSBG Office Letter Setting Forth Monitoring Findings

This letter is based on state CSBG office letters reviewed by CAPLAW. The letter and comments are intended to provide CAAs and states with ways to think about and approach monitoring findings.

[STATE CSBG OFFICE LETTERHEAD]

May 28, 2026

Ms. Executive Director
Community Active Agency, Inc.
23 West Wilcox Street
Helpful City, Imagination 09645

Dear Ms. Executive Director:

A sincere thanks to you and your staff for accommodating the on-site review process. I appreciate the time everyone spent meeting with us and discussing CAA's CSBG funded activities.

Strengths:
Strengths observed while reviewing the agency were:

- The CSBG funded job training program exceeded its goal of helping five program participants find jobs after completing six months in the program. Seven participants were gainfully employed after completing six months of training in the program.
- CAA's collaboration with Free Food Pantry, Inc. enabled CAA to expand its reach in the four counties it serves and resulted in unserved low-income individuals and families in rural areas receiving much needed assistance.

Compliance Issue(s):

1. <u>Tripartite Board</u>
    - CAA is not in compliance with the tripartite board structure required by the federal CSBG Act, 42 U.S.C. § 9910, and CSBG Organizational Standard 5.5 which requires the tripartite board to fill vacancies as set out in the bylaws. The CAA has a twelve member board with two board seats that have been vacant for over three months. The vacancies greatly exceed the limits established in the CAA's bylaws which require the board of directors to fill a vacancy within 75 days.
2. <u>Safeguarding of Assets</u>
    - CAA failed to maintain complete equipment inventory records and facilitate a physical inventory for at least three years. CAA's procedures did not ensure that staff received detailed property record information such as serial numbers for all technology equipment. The state CSBG office incorporates 2 C.F.R. 200.313(d) in its CSBG agreement with CAAs, which requires CAAs to maintain a property management system that accounts for equipment acquired with federal funds and federally owned. The system must maintain accurate records that include a description of the equipment; serial numbers; model numbers; source of funding for the property (including the FAIN); title holder; acquisition date and cost; HHS's share of the

equipment; location, use and condition; and ultimate disposition. Additionally, the CAA is required to take physical inventory of equipment and reconcile the results with equipment records at least once every 2 years.

3. Computer Security
    - CAA does not have the following: (1) adequate computer security procedures; (2) a formal computer access policy; (3) password protected employee computers; and (4) adequate procedures for data removal from computers. The National Institute of Standards and Technology Special Publication 800-53, Rev. 3 requires an organization to develop and disseminate a formal, documented access control policy for computer access and requires information systems to uniquely identify and authenticate users.
4. Personnel Management
    - CAA is experiencing more employee turnover than other eligible entities in the state. One reason for this high rate of turnover is the failure of CAA to conduct exit interviews. Exit interviews help organizations identify issues with workplace dynamics contributing to employee departures.

Deficiency(s):

1. Limitations on Use of CSBG funds
    - For a second time in three years, CAA used CSBG funds to pay for permanent improvements to its administrative office building. CAA used the funds to partially pay for the replacement of the building's roof. The federal CSBG Act at 42 U.S.C. § 9918(a) states that, unless the U.S. Department of Health and Human Services (HHS) provides a waiver to the state, an eligible entity is prohibited from using CSBG funds to permanently improve any building.

Best Practice Recommendations:

The following are not deficiencies but are best practice recommendations

1. Add term limits for board members to the bylaws.
2. Develop a succession plan for board members.

The CAA has thirty (30) days from receipt of this letter to develop a Quality Improvement Plan (QIP) and submit it to the state CSBG office. The QIP should address how the CAA intends to correct the compliance issues and deficiency addressed in this letter. CAA's response should include a timeline of specific actions. CAA should include requests for training and technical assistance (T/TA) as part of its QIP.

The state CSBG office will review the QIP and will either approve it or ask for additional time to review it within thirty (30) days of receiving it. If T/TA is requested, the state CSBG office will work with the Executive Director and the board of directors to address those needs.

Please contact me if you have any questions or concerns.

Sincerely,

CSBG Program Specialist

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

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.