



DEPARTMENT OF HEALTH & HUMAN SERVICES
Administration for Children and Families
Office of Community Services

Community Services Block Grant

NORTH CAROLINA STATE ASSESSMENT

On-Site Review

FINAL

(May 22 – May 26, 2017)

North Carolina Community Services Block Grant

I. Executive Summary

BACKGROUND

The Community Services Block Grant (CSBG) provides assistance to states and local communities working through a network of Community Action Agencies (CAAs) and other neighborhood-based organizations for the reduction of poverty – hereinafter referred to as eligible entities, the revitalization of low-income communities, and the empowerment of low-income families and individuals to become fully self-sufficient. CSBG-funded activities create, coordinate, and deliver a broad array of services to low-income Americans. The grant’s purpose is to fund initiatives to change conditions that perpetuate poverty, especially unemployment, inadequate housing, poor nutrition, and lack of educational opportunity.

The Governor of North Carolina designated the Department of Health and Human Services, Office of Economic Opportunity (OEO) as the appropriate lead agency for the administration of CSBG. The State of North Carolina CSBG provides funding, technical assistance, and support to 35 eligible entities. Together the agencies provide an array of services within the State of North Carolina to address local area needs. Services may include housing, energy assistance, nutrition, employment and training, as well as transportation, family development, child care, health care, emergency food and shelter, domestic violence prevention services, money management, and micro-business development.

The information contained in this report was compiled during a state assessment (SA) of North Carolina CSBG and its eligible entities as evaluated by federal staff of the Division of Community Assistance (DCA) in the Office of Community Services (OCS), an office within the Administration for Children and Families (ACF), U.S. Department of Health and Human Services (HHS).

STATE ASSESSMENT AUTHORITY

SA’s are conducted to examine the implementation, performance, compliance, and outcomes of a state’s CSBG and to certify that the state is adhering to the provisions set forth in Title II – Community Services, of the Coats Human Services Reauthorization Act, Public Law 105-285 (Section 678B(c)). As per the CSBG statute, the SA examines the state and its eligible entities assurances of program, fiscal and governance operations, as well as the state’s oversight procedures for its eligible entities.

SCOPE OF REVIEW

OCS federal staff conducted the on-site review of the North Carolina’s CSBG and its eligible entities from May 22 – May 26, 2017. The scope of review included the Fiscal Year (FY) 2015 grant award (15B1NCCOSR.)

METHODOLOGY

OCS reviewed documented procedures and practices for administrative, fiscal, and program operations and interviewed the North Carolina officials responsible for administering CSBG.

OCS reviewers:

- Evaluated compliance of state-level assurances, administrative, fiscal, program, and governance requirements.
- Evaluated the state's monitoring procedures and practices to determine eligible entities compliance with the state-level assurances.

II. North Carolina State Assessment Finding and Required Action

OCS identified one finding and one observation for improvement in North Carolina's CSBG fiscal and program operations.

FINDING ONE – OEO's CSBG reimbursement and contract process

OCS identified an area for concern with respect to OEO's reimbursement of CSBG funds to eligible entities. In FY 2015, OEO drew down CSBG funds 11 months after the funds were made available and in FY 2016 eight months after the funds were made available. Upon further review OCS found that the delayed drawdowns have been a consistent practice in OEO's administration of CSBG funds. The delayed draw reduces the amount of time the eligible entities have to spend funds within the statutory authority, and increases the risk the funds will expire and revert back to the Department of Treasury.

OEO's process for contracts and budget changes created delays in getting CSBG funds to the eligible entities. Although FY 2015 funds were available at the end of the state's fiscal year (June 30), multiple entities did not have authority to access the funds, due to internal delays in OEO's contract application process, which resulted in short term reductions in capacity at eligible entities. Once the contracts were executed the entities had to increase capacity in order to expend the funds.

Required Action:

Within three months of the final date of this report issuance, OEO must provide a plan to reduce the delays in the use of CSBG by eligible entities and increase the time CSBG funds are available to the entities to OCS. OCS suggests that OEO consider the following in the development of a plan:

- Issue contract agreements within 30 days of CSBG funds becoming available or develop contract processes to assure that funds are available continuously and without interruption;
- If state law permits, consider extending the contract agreements to cover the federal grant period;
- Allow entities to draw funds from an open and current contract during the budget and contract approval process;
- Allow eligible entities flexibility in minor changes to budgetary line items throughout the year; and
- Work with the eligible entities to develop effective cash and budget management to reduce the carryover and decrease the chance funds will not be expended in the allowable period.

OEO Response:

Community Services Block Grant funds are contracted to agencies on the State Fiscal Year of July 1 – June 30. The Community Services Block Grant allocation is based on the State State's Budget Bill Community Services Block Grant total and the North Carolina Administrative Code. Based on 10A NCAC 97C .0108, no less than ninety percent of the funds are allocated to eligible entities based on the ratio (percentage) of persons in poverty in the county served by the entity compared to the number of persons in poverty in the total area (counties) served by all eligible entities; five percent is discretionary and five percent is administrative.

Community Services Block Grant contracted agencies are required to submit monthly expenditure reports (DSS Form 1571 and OEO Form 286) with a copy of a detailed general ledger by the 10th day after the close of the reporting month. Office of Economic Opportunity Fiscal Analysts review the documents, provide approval and submit the documents to the Division of Social Services (DSS) Program Compliance Section for review. Upon review and approval from the DSS Program Compliance Section, the documents are submitted to the Department of Health and Human Services Controllers Office and payment is made.

OCS Response:

OCS noted the state’s policy in the funding procedures for administering CSBG. However, OEO did not explain how the state will plan to reduce the delays in the use of CSBG by the eligible entities, and increase the time CSBG funds are available to use by the entities to OCS. Finding One will remain open and unresolved pending a corrective action plan. OCS staff is available for consultation and technical assistance to help OEO address the issue in a corrective action plan.

OBSERVATION ONE – CSBG Program Reporting

The overall goal of the CSBG Act is to provide financial assistance to states and local communities (eligible entities), for the reduction of poverty, and empower low-income families and individuals to become more self-sufficient. One way to accomplish the goal is to target barriers (i.e., education, health, housing, employment, nutrition, etc.) through a range of services specific to the needs of the communities, ultimately helping low-income families and individuals become more self-sufficient. For accountability and reporting purposes the states and eligible entities are required to show how CSBG funds were actually spent, including a breakdown of the direct delivery of services. In compliance with the requirement – nationwide eligible entities report on specific service categories to show how the funds were used.

In the State of North Carolina, the majority of the eligible entities report the delivery of services under one specific category “self-sufficiency.” Of the \$17.6 million provided to the state in FY 2015, CSBG IS reporting shows 85.7 percent of the funds were directed towards “self-sufficiency.” The nationwide average for reporting on self-sufficiency programs is 17.5 percent. While, OCS found no evidence that the state has mandated the entities to provide and report services under self-sufficiency, it has been the practice for many years and multiple entities reported to OCS that they believed it to be a state requirement. One entity visited by OCS shared a desire to serve minors and seniors but lamented that, because the groups could not become self-sufficient, they were not permitted to spend CSBG serving those groups.

OCS believes that the broader scope reporting practice does not describe the range of services and strategies in communities permissible under CSBG and consistent with the level of detail necessary for the CSBG annual report to Congress.

Recommended Action:

OEO should review current reporting practices and consider providing guidance to their entities on reporting that best describes the range of services provided to address conditions of poverty in communities served by CSBG.

OEO Response:

OEO, starting in FY 2018-2019 will be conducting quarterly monitoring visits with all 34 Community Action Agencies in North Carolina. This new practice will allow OEO staff to work closely with CAA's to determine community needs and strengthen community and state partnerships. Under a new Guidance Memorandum, clarity will be provided as to the scope and allowability of CSBG funding that best describes the range of services provided to address conditions of poverty in communities served by CSBG.

Also, at the NC State Association Conference in May 2018, five companies have been invited to provide a demo on their software so OEO along with the network can decide which database complements the work we do in North Carolina. OEO is looking forward to getting a new system that will capture all the data needed to show the full picture of the work being done in NC to fight poverty.

The recent changes described above will allow low income participants/families in NC to receive more diverse services and move above the poverty threshold. This will also allow agencies to collaborate and leverage funding with other stakeholders and partners.

OCS Response:

OCS agrees with the action taken by OEO to review current reporting practices and provide guidance to their entities to address conditions of poverty in their state. OCS has determined that no additional action is required at this time.

III. North Carolina State Assessment

ADMINISTRATIVE OPERATIONS

Administrative and Discretionary Use of Funds

Section 675C(2) Administrative Cap – No state may spend more than the greater of \$55,000 or five percent, of the grant for administrative activities, including monitoring activities. Funds to be spent for such expenses shall be taken from the portion of the grant after the state makes grants to eligible entities. Section 675C(b)(1) Use of the Remainder – the state shall use the remainder of the grant or allotment received for discretionary purposes.

Administrative Funds

OEO's administrative funds were used to support CSBG staff salaries, monitoring, and training and technical assistance to the eligible entities. OCS determined that the funds were used in accordance with Section 675C(2) and that expenses were properly supported and entered in the general ledger to track funds within the department.

Discretionary Funds

OEO's discretionary funds were used to support four limited purpose agencies operating projects for specific target populations, training and technical assistance for all eligible entities, and statewide coordination/ communication among all eligible entities. OCS determined that the funds were used in accordance with Section 675C(b)(1) and that expenses were properly supported and entered in the general ledger to track funds within the department.

Community Action Plan and Community Needs Assessment

Section 676(11) requires the state to secure from each eligible entity, a Community Action Plan that includes a Community Needs Assessment for the community served, which may be coordinated with community – needs assessments conducted for other programs.

OEO had procedures and practices in place to ensure that eligible entities accurately address the needs of the community and its residents in accordance with Section 676(11). The state office requires each eligible entity submit a CSBG funding application on an annual basis. Through the annual application process, agencies submit a Community Anti-Poverty Plan, including a narrative section, an agency strategy for eliminating poverty (e.g. community needs assessment), work plan, budget and plan for monitoring, assessment and evaluation.

Monitoring Eligible Entities

Section 678B(a) of the CSBG Act requires states to monitor local agencies to determine whether they meet performance goals, administrative standards, and financial management requirements, as well as other requirements of the state. The state shall conduct the following reviews of eligible entities: 1) full onsite review of each entity at least once during a three-year period, 2) onsite review of each newly designated entity immediately after completion of the first year in which the entity received CSBG funds; 3) follow-up reviews to eligible entities that fail to meet the goals, standards,

requirements established by the state; and 4) other reviews as appropriate, including reviews of entities with programs that have had other federal, state, or local grants terminated for cause.

OEO performed the required monitoring and follow-up reviews of its 35 eligible entities in accordance with the Section 678B(a). OEO's monitoring protocol includes a comprehensive review of the eligible entities program, administrative, and fiscal records. Risk assessments are performed annually of each entity; risk assessment scoring (low, medium, or high risk) has a direct correlation to OEO's onsite monitoring activities. Prior to onsite monitoring a pre-assessment questionnaire is completed by each entity, formal notification is provided, and a comprehensive review is conducted.

When an entity has an area of non-compliance and/or deficiency a corrective action plan is required. OEO's process includes internal monitoring tracking to ensure compliance.

Training and Technical Assistance

Section 675C(b)(1)(A) allows states to use CSBG funds to provide T/TA to those entities in need of such training and assistance. Section 678C(a)(3) indicates states shall offer T/TA if appropriate to help correct eligible entities deficiencies.

OEO used CSBG funds to provide training and technical assistance to its 35 eligible entities, in accordance with 675C(b)(1)(A). OEO provided training and technical assistance in ROMA, organizational standards, monitoring, tripartite boards, community assessments, technical assistance plans and quality improvement plans.

Corrective Action, Termination, and Reduction of Funding

Section 678C states that if the state determines, on the basis of a final decision that an eligible entity fails to comply with the terms of an agreement, or the State plan, to provide services ... or to meet appropriate standards, goals, and other requirements established by the state, the state shall:

- (1) inform the entity of the deficiency to be corrected;
- (2) require the entity to correct the deficiency;
- (3) (A) offer training and technical assistance, if appropriate to help correct the deficiency, and prepare and submit to the Secretary a report describing the training and technical assistance offered,
 - (B) if the State determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination.

OEO corrective action, termination and reduction of funding procedures were in place and in accordance with Section 678C. OEO corrective action procedures require that once the CSBG program analyst has identified a noncompliance and/or deficiency during onsite monitoring a Corrective Action Plan must be developed and completed by the eligible entity.

A separate corrective action worksheet (CAW) must be completed for each issue. The CAW must identify specific action taken to address the issue, target completion date, and the staff responsible for implementing the corrective action plan. The proposed corrective action plan is submitted to OEO and approved by the CSBG program manager. OEO staff conducts follow-up action to ensure corrective action has been implemented.

FINANCIAL OPERATIONS

Fiscal Controls

45 C.F.R. § 96.30(a) requires states to maintain fiscal control and accounting procedures. Except where otherwise required by federal law or regulation, a state shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to; (a) permit preparation of reports required by the statute, and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

OEO's fiscal controls and accounting procedures were in place, and sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant and in accordance with federal regulations.

For FY 2015, OEO received \$17,604,043 for CSBG. OCS tested a sample of FY 2015, program, administrative and discretionary general ledger transactions. OCS determined that expenses were properly supported and entered into North Carolina Accounting System (NCAS) used to track funds within the department.

Federal Financial Report

45 CFR §92.40, §92.41, and §96.30(a), respectively, require that after the close of each statutory period for the obligation of block grant funds and after the close of each statutory period for the expenditure of block grants, each grantee shall report to the Department a financial summary using OMB Standard Form 425 - FFR. Grantees are required to submit the information on the FFRs within 90 days of the close of the applicable statutory grant periods. Fiscal control and accounting procedures must be in place to permit the preparation of the FFR's and the tracing of federal funds to a level of expenditure adequate to establish that funds have not been used in violation of the restrictions and prohibitions of the statute.

For the FY 2015 grant award (10/1/2014 – 9/30/2016), OEO submitted the FFRs in accordance with federal regulations. OEO fiscal control and accounting procedures were in place to permit the preparation of the FFR's and OCS was able to trace CSBG funds to a level of expenditure to ensure that the funds were not used in violation of the statute.

State Carryover Requirements

Under the terms and conditions of the federal grant award grantees shall adhere to a provision of law under the Consolidated Appropriations Act of 2015 which requires that to the extent CSBG funds are distributed by a state to an eligible entity, and have not been expended by such eligible entity; they shall remain with such eligible entity for carryover and expenditure into the next fiscal year. If CSBG funds are carried forward by such eligible entity into the next fiscal year, those funds must be fully expended and services provided on or before September 30.

OCS found that FY 2015 CSBG funds were expended and services provided on or before September 30, 2016.

Single Audits

As required by 2 CFR § 200.501 of the Uniform guidance and 45 CFR Part 75 Subpart F A non-federal entity that expends \$750,000 (\$500,000 or more in the most recent fiscal years) during the non-federal entity's fiscal year in federal awards must have a single audit conducted in accordance with §200.514 scope of audit.

State Single Audit

In accordance with 2 CFR § 200 and 45 CFR § 75, the State of North Carolina obtained its single audit for Fiscal Year End September 30, 2015. OCS reviewed the single audit to determine whether timely and appropriate corrective action was taken in instances of noncompliance with federal laws and regulations. For the single audit reviewed, OCS determined the state was in compliance with federal regulations governing Single Audits.

State Monitoring – Eligible Entity Compliance – Single Audit

The State of North Carolina obtains single audits annually of their eligible entities in accordance with 2 CFR § 200 and 45 CFR § 75. The single audits are required to be submitted by the entities into North Carolina's online grants reporting system (NCGrants.gov). Within 10 business days of audit submission the state conducts a desk review to determine compliance with required audit standards. If the single audit has not been received within the required timeframe, the system automatically includes the entity on the warning list and an email notification is issued. The email allows the entity three weeks from notification to provide a Corrective Action Plan. OCS determined that OEO had sufficient controls in place to monitor their eligible entities single audits, ensuring they are submitted timely and appropriate corrective action is taken by the state in cases of noncompliance.

PROGRAM OPERATIONS

Use of Ninety (90%) Percent of Funds

Per Section 672, the purpose and goals of CSBG is to provide assistance to states and local communities working through a network of eligible entities, for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient. Section 675 requires that not less than 90 percent of the funds made available to a state shall be used by the state to make grants for the purposes described in Section 672 to eligible entities.

In FY 2015, OEO disbursed 90 percent of CSBG funds to its eligible entities in accordance with Section 672.

Tripartite Boards

Section 676B requires that members are chosen in accordance with democratic selection procedures to assure that the Tripartite Board is an equal representation of the community: not less than one-third of its members are representatives of low-income individuals and families who reside in the neighborhoods served; one-third of the members of the Board are elected public officials; and the remaining members are official or members of business, industry, labor, religious, law enforcement,

education, or other major groups interested in the community served. Members must actively participate in the planning, implementation, and evaluation of the program that services their low-income communities.

OEO had procedures in place to assure the eligible entities' adhere to Section 676B of the statute regarding Tripartite Boards, including selection and composition of the Board, and that board member's participate in the planning, implementation and evaluation of programs that serve low-income communities.

The North Carolina Administrative Code requires all eligible entities maintain a compliant Tripartite Board; eligible entities must have a board of directors consisting of at least 15 members and no more than 51 members. OEO staff use FACSPRO, a data collection system tool, to review information collected on board vacancies. The staff monitors tripartite board compliance by reviewing board membership/composition rosters during the annual funding application process.

ROMA System and Annual Reporting

According to Section 678E(1) and 678E(2), each state that received funds shall participate in a performance measurement system and ensure that all eligible entities in the state participate to the extent in which programs are implemented in a manner that achieve positive results for the communities served. States may participate in the model evaluation system designed by OCS in consultation with the CSBG Network called the Results-Oriented Management and Accountability System (ROMA). Alternatively, states may design their own similar system.

OEO participates in ROMA to measure performance and program outcomes, and reports the data to the National Association for State Community Services Programs (NASCSPP) for inclusion in their Annual Report. OEO eligible entities utilize the Accountable Results for Community Action (AR4CA) case management database for tracking services and program outcomes specific to CSBG. OEO has 24 nationally certified ROMA trainers across the state of North Carolina.

Section 678E (2) requires that each state shall annually prepare and submit to the Secretary a report on the measured performance of the state and the eligible entities in the state. The Annual Report must contain performance measurement outcome data which address the implementation of the national goals and measures.

OEO submitted the CSBG annual report through the On-Line Data Collection (OLDC) system as required.

Limitation on Use of Funds

Per Section 678F, grants may not be used by the state or by any other person ... for the purchase of improvement of land, or the purchase, construction, or permanent improvement of any building or other facility.

In accordance with Section 678F, OEO's procedures manual states that eligible entities are prohibited from using CSBG funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement of any building or other facility.

Child Support Services

Section 678G(b) states that during each fiscal year for which an eligible entity receives a grant such entity shall: (1) inform custodial parents in single-parent families that participate in programs, activities, or services ... about the availability of child support services; and (2) refer eligible parents to the child support offices of State and local governments.

In accordance with Section 678G(b), OEO procedures require it's eligible entities to inform custodial parents in single-parent families about the availability of child support services and refer eligible parents to the child support Enforcement Agency.

IV. CONCLUSION

This report is considered final. We would like to thank you, the staff, and the eligible entities visited for their cooperation and assistance during the State Assessment of North Carolina. Finding One will remain open and unresolved until the time of implementation. OCS staff are available for consultation and technical assistance to help DHS address the issue in a corrective action plan.

OCS considers Observation 1 closed and determined no further action required.

If you have any questions or concerns, please contact:

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APPENDIX

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