



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

Community Services Block Grant

Tennessee

On-Site Review

FINAL

May 14 – 19, 2017

Tennessee 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 Tennessee designated the Tennessee Department of Human Services (DHS) as the appropriate lead agency for the administration of CSBG. The State of Tennessee CSBG provides funding, technical assistance, and support to 20 eligible entities. Together the agencies provide an array of services within the State of Tennessee to address local area needs. Services may include housing, energy assistance, nutrition, employment and training, as well as transportation, family development, childcare, 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 Tennessee 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

SAs 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 Tennessee CSBG and its eligible entities from May 14 – 19, 2017. The period of review included the Fiscal Year (FY) 2015 grant award.

METHODOLOGY

OCS reviewed documented procedures and practices for administrative, fiscal, and program operations and interviewed the Tennessee 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. Tennessee State Assessment Finding and Required Actions

OCS identified an area for improvement in Tennessee's CSBG Fiscal operations.

FISCAL OPERATIONS REQUIREMENTS

Section 678D and 45 C.F.R. § 96.30(a) require 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.

FINDING ONE: Compliance with Terms and Conditions of the Block Grant

OCS found that DHS did not fully liquidate FY 2015 CSBG funds during the period of availability October 1, 2014 – September 30, 2016. OCS noted DHS did not fully liquidate CSBG funds in four of the five grant years from 2011 through 2015. Over this time approximately \$4.1 million dollars was unexpended, and reverted back to the Department of Treasury.

OCS found that CSBG funds were not distributed until nine months after the grant award. DHS contract agreements are executed on the state's fiscal year (July 1 to June 30) which runs differently from the federal fiscal year (FFY) (October 1 to September 30). The delay in contract issuance causes a reduction in the length of time the funds are available for use to meet the local needs.

Required Action

- DHS must develop a plan to increase the length of time the funds are available to the eligible entities. DHS should consider issuing the award upon availability and allowing for the availability to continue through the end of the grant period.

DHS Response:

- We concur in part. We agree that the grant award was not obligated until nine (9) months after the grant award period. We do not agree that the reduction in time had an effect on the availability of funds for our CSBG Subrecipients. The \$4.1 million dollars of CSBG that were reverted to the Department of Treasury did not have an effect on the availability of funds to the Subrecipients since the funds obligation of the previous grant award overlapped with the subsequent grant award. The Tennessee Department of Human Services (DHS) plans to implement corrective action through amending the State Fiscal Year 18 contracts to include the remaining Federal Fiscal Year (FFY) 17 funds and previously obligated funds through September 30, 2019.

Beginning October 1, 2018, funding will be obligated to coincide with the awarding of federal grants, thereafter. DHS personnel will provide training and technical assistance to help eligible entities forecast their needs, adjust their capacity to serve their customers

based on the increase of obligated funds in the near term and the syncing of the obligation of federal funds upon receipt of the federal grant. The training and guidance will include how to plan for an increased capacity without creating a cost structure that is not sustainable once the FFY 17 funds are expended. The Subrecipients may utilize contractors or Subawards for specific one-time projects based on the temporary increase of funds due to the alignment between the awarding of the grant and its obligation.

OCS Response:

- OCS maintains that due to the two-year time limit for eligible entities to obligate CSBG funds, a delay of up to 9 months is a significant impediment to fully using the funds at the eligible entity level. OCS does agree with DHS plan to implement corrective action through amending the state's fiscal year contracts to coincide with the awarding of federal grants. OCS will follow-up on the status of the change in contracts to the sub-recipients that is to begin October 1, 2018.

OBSERVATION ONE

OCS found that \$467,276.49 in federal funds had been drawn in Payment Management System (PMS) under the Fiscal Year (FY) 2016 award for program expenses incurred under the FY 2015 grant. DHS is working with the Grants Management Office (GMO) to remediate the mistake in PMS, and submitting a justification to have funds reprogrammed to the correct grant award.

DHS Response:

- DHS' Fiscal staff contacted ACF GMO in May 2017, requesting technical assistance in order to reclassify FY 2016 expenses as FY 2015. DHS Fiscal will follow-up with ACF GMO by December 31, 2017.

OCS Response:

- OCS agrees with the action taken to remediate the error in PMS and will follow-up to ensure the action was corrected.

III. Tennessee State Assessment

ADMINISTRATIVE OPERATIONS

Administrative and Discretionary Use of Funds

Per 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. Per 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

DHS allocated administrative funds to support salary, fringe and benefit costs of staff and other office expenses. OCS determined that the expenses were properly supported and entered in the general ledger to track funds within the department.

Discretionary Funds

DHS did not use discretionary funds in FY 2015, 95 percent of CSBG funds were allocated to the 20 eligible entities within the State of Tennessee.

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.

During the state’s Community Needs Assessment planning, eligible entities collaborate with other groups and organizations in the community to identify the needs of the community. If the eligible entity is collaborating with another provider, they are to identify how the services will be provided from that particular provider. Based on the information reviewed, it has been determined that DHS is in compliance with the CSBG Statute.

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.

DHS's monitoring procedures are in compliance with state and Federal regulations. DHS performed the required monitoring and follow-up reviews of its 20 eligible entities in accordance with the Section 678B(a). OCS reviewed DHS's monitoring process and procedures, triennial monitoring schedule, and supporting documentation for FY 2014 through FY 2016 monitoring reports.

On site monitoring reviews are conducted by the DHS internal audit team. This team has a CSBG specific monitoring tool. Monitoring is coordinated with program staff and entities are provided a formal report. Issues identified are tracked and resolved by DHS.

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.

DHS allocates 95 percent of all CSBG funds to eligible entities. The lack of discretionary funds available creates a challenge for DHS to provide targeted training and technical assistance. DHS works with the Tennessee Association of Community Action (TACA) to provide eligible entities training and technical assistance that meet the needs of the CSBG Network. DHS is in compliance with the CSBG Statute.

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.

The State of Tennessee did not have any terminations or reductions in funding during the periods included in this assessment. OCS found that DHS's procedures for corrective action, termination and reduction of funding are in accordance with Section 678C. The procedures include the notification of finding(s) that require correction, sufficient time to remediate the finding(s), training and technical assistance (if appropriate), and a provision to place an eligible entity on a Quality Improvement Plan (QIP) if necessary. OCS found the state procedures are consistent with requirements outlined in CSBG Information Memorandum 116.

FINANCIAL OPERATIONS

Fiscal Controls

45 C.F.R. § 96.30(a) require 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.

Tennessee's fiscal controls and accounting procedures were in place, and sufficient to permit the tracing of CSBG funds to a level of expenditure adequate to establish that the funds have not been used in violation of the restrictions and prohibitions of the statute

For FY 2015, DHS received \$13,213,404 for CSBG. Approximately 95 percent of the funds were disbursed to its eligible entities. OCS sampled FY 2015 program and administrative transactions; reconciled the sampled transactions to the general ledger; request for payment, accounting revenue and receipts; and disbursement documentation provided by the state. Except for the error noted in the observation above, and the issues identified by the state auditor in the FY 2015 audit, OCS concludes that 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.

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.

DHS' final FFR for FY 2015 CSBG was submitted on time. Due to the observation noted above DHS will be required to amend the FFR in accordance with the grant terms and conditions.

State Carryover Requirements

Under the terms and conditions of the federal award grantees shall adhere to a provision of law under the Consolidated Appropriations Act of 2014 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.

For FY 2015, Tennessee carried forward \$13,044,980 into the second year. The principle reason for the large carryover was due to the issuance of the FY 2015 award in July 2015 as noted in Finding One. The entities failed to spend approximately \$1.3 million of this carryover and the funds were reverted to the US Treasury.

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 or more 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 obtained its single audit for Fiscal Year End June 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 Tennessee State Auditor cited DHS for not monitoring subrecipients for audit requirements. Since December 2015, DHS has developed a method for obtaining and reviewing audits, trained staff to perform subrecipient audits, and included this with their risk assessment of the eligible entities. DHS has developed a method to request, collect, and receive corrective action plans, and are in the process of completing development of a method to efficiently issue the Management Decision Letter in a timely manner.

OCS determined that DHS has adequate controls to assure eligible entity compliance with regulations governing single audits.

PROGRAM OPERATIONS

Use of Ninety (90%) Percent of Funds

Per Section 672, the purpose and goals of the 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, DHS disbursed 95 percent of CSBG funds to its eligible entities in accordance with Section 672. DHS reported providing services to 373,104 low-income individuals in 173,461 families.

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.

DHS has provided guidance to all eligible entities on the specific requirements they have regarding their Tripartite Board composition. OCS found that DHS had procedures in place to assure annually that 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 service low-income communities. Board composition is included in the monitoring of eligible entities. OCS has been determined that DHS is in compliance with the CSBG Statute.

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 Results Oriented Management and Accountability system (ROMA). Alternatively, states may design their own similar system.

Tennessee does not participate in ROMA, nor does the state currently have a statewide performance measurement system. However, 17 of the 20 entities use a common software called the Thomas H. O'Neal Software Solution (THO) database. This database is used to collect demographic information from the customers when they initially come in for assistance. This database is also used to determine eligibility of the customers and collect additional information on any other services they may be eligible for including Low-Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP).

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 report should describe how the state and the eligible entities met its goals and objectives, as well as provide information on the types of projects supported with FY 2015 CSBG funds. The Annual Report must contain performance measurement outcome data, which address the implementation of the national goals and measures. OCS confirmed that the state submitted their annual report through OLDC on April 3, 2017.

DHS submitted the state Annual Report for 2015 – 2016 on time; DHS and its entities were able to address some of the national goals and goal objectives successfully. These goals included helping to establish/re-establish self-sufficiency, improving living conditions, having people own a stake in their community, partnering with supporters and providers of services to low-income people, increase the capacity to achieve results and strengthening family and other supportive systems. OCS has determined that DHS is in compliance with the CSBG ROMA reporting requirements.

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 DHS procedures prohibit eligible entities 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.

DHS has made agreements with their entities that all clients served would receive information on services provided through the Office of Child Support, an agency that collaborates closely with the Community and Social Services to ensure that the needs of all families are met as it pertains to receiving child support. Based on the information reviewed during the state assessment, it has been determined that DHS is in full compliance with the CSBG Statute.

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 Tennessee. Required Action 1 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 open and will follow-up with DHS during the corrective action tracking process to ensure that the federal funds that were drawn under the incorrect award is amended.

If you have any questions or concerns, please contact:

Seth Hassett
Director, Division of Community Assistance
Office of Community Services
Administration for Children and Families
330 C Street, SW, 5th Floor
Mail Stop 5425
Washington, DC 20201
Phone: (202) 401-4666
Fax: (202) 401-4694
Email: Seth.Hassett@acf.hhs.gov

APPENDIX

Report Contributors

State Staff : Michelle Fields – Program Director
Scott Hanni – Audit Director

State Eligible Entities: Mid-Cumberland Community Action Agency
Upper Cumberland Community Human Resource Agency
Southwest Human Resource Agency

OCS Staff: David Barrie – Financial Operations and Accountability
Branch Chief
Yolanda Brown – Program Specialist
Elisha Anderson – Auditor
Norris Phillip – Auditor
