

California CSBG Monitoring Report

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 California designated the Department of Community Services & Development (CSD) as the lead agency for the administration of the CSBG. The State of California’s CSBG provides funding, technical assistance, and support to 58 eligible entities. Together the agencies provide an array of services within the State of California 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.

MONITORING AUTHORITY

CSBG monitoring is 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 Community Opportunities, Accountability, and Training and Educational Services Act of 1998, Public Law 105-285 (Section 678B(c)). As per the CSBG Act, the Remote Review 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

Office of Community Services (OCS) staff conducted the remote review of California’s CSBG program from Monday, December 5, 2022 through Friday, December 9, 2022. The scope of the review included the fiscal year 2021 (FY21) grant award.

METHODOLOGY

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

OCS reviewers:

- Evaluated compliance with 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.

The CSD was sent a CSBG Initial Report on November 2, 2023, for which there were 30 days to provide a response. All written responses were read and evaluated.

PROGRAMMATIC ANALYSIS

Use of Ninety Percent (90%) of Funds

Per Section 672 of the CSBG Act, the purpose and goals of the CSBG program are 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 of the CSBG Act requires that not less than 90% of the funds made available to a state shall be used by the state to make grants for the purposes described in Section 672 of the CSBG Act to eligible entities.

During FY20, CSD allocated and disbursed 90% of the available CSBG funds to its subrecipients, adhering to the guidelines set forth in Section 672. The CSD operates on an annual budget cycle that follows the state fiscal calendar, beginning on July 1 and ending on June 30. Monthly reimbursement payments are issued to subrecipients based on the CSD's written approval process for subsequent invoices. CSD staff utilize the statewide accounting system Expenditure Activity Reporting System (EARS) to monitor each subrecipient's awarded amount. OCS has determined that CSD is compliant with statutory requirements for distributing 90% of CSBG funds.

Community Action Plan and Community Needs Assessment

Section 676(11) of the CSBG Act requires the state to secure a community action plan from each eligible entity that includes a community needs assessment for the community served, which may be coordinated with community needs assessments conducted for other programs.

The CSD requires its subrecipients to submit both a community action plan and a community needs assessment during the application process. To maintain consistency in data collection, CSD utilizes a standardized format for obtaining community needs assessment information and provides a community action plan template. For CARES, the state allowed subrecipients flexibility to present a simplified version of a community needs assessment and community action plan in the form of a checklist rather than a narrative. For Disaster Supplemental, community action plans were optional and subrecipients submitted disaster response plans instead. Subrecipients use a dedicated portal to upload their assessment reports and accompanying data to CSD's eGovernment Document Portal (eGov). This system functions as the main repository for organizations to upload and store commonly requested documents. Agency community action plans are submitted biennially in eGov by June 30, which serves as the subrecipients' two-year plan for providing services. The CSD Field Representative's review of the community action plan generally takes place during July and August as part of their quarterly desk assessments. The Field Representative evaluates the CAP, including goals, planned activities, priorities, adherence to the Organizational Standards, and other supporting documentation for completeness and compliance. After examining the community needs assessments and community action plans provided by California's subrecipients, OCS concluded that these documents satisfied Section 676(11)'s requirements, proving they were adequately prepared.

ROMA System and Annual Reporting

According to Sections 678E(1) and 678E(2) of the CSBG Act, 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, Results Oriented Management and Accountability (ROMA). Alternatively, states may design their own similar system.

The CSD has established policies and procedures for ROMA data collection. CSD uses the eGov system to collect outcome data from their CSBG Annual Report. The annual report records year-to-year performance and outcome variance data compared to initial program projections. The system implements specific validations to identify potential variances or missing information. Annually, each subrecipient is obligated to submit Organizational Standards, which document progress and accomplishments in areas like strategic planning, board governance, organizational leadership, financial operations, and oversight. After examining and approving an agency's community action plan, CSBG Annual Report, and Organizational Standards, CSD Field Representatives provide ongoing feedback to entities throughout the year to ensure they are on track to meet performance goals. CSD Field Representatives review each subrecipient's ROMA data along with the contract work plan, submitted annually. CSD staff also offer training and technical support during annual onsite monitoring visits that assess eligible entity programmatic performance and progress towards achieving their work plan projections.

Section 678E(2) of the CSBG Act 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 CSBG Annual Report must contain performance measurement outcome data that address the implementation of the national goals and measures. For the period under review, ODOC submitted the CSBG Annual Report through the Online Data Collection system (OLDC) for the period ending September 30, 2020, on time.

As required, CSD submitted the FY20 CSBG annual report through OLDC.

During the review of your programmatic operations, OCS documented the following issues of non-compliance and opportunities for improvement. The issues of non-compliance will require your immediate attention.

Issues of Non-Compliance

- None

Opportunities for Improvement

- None

FISCAL ANALYSIS

Fiscal Controls

Title 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.

In FY20, CSD received \$65,688,129 in CSBG funding and an additional \$89,150,063 through the CARES supplemental funding. CSD implemented a comprehensive accounting system capable of tracking grant funds' sources, uses, and expenditure levels according to state and federal regulations. To assess the allowability and allocability of federal funds, OCS examined a sample of expenditure transactions from the state's FY20 general ledger within the Expenditure Activity Reporting System (EARS). By doing so, OCS ensured that recorded expenditures corresponded with the appropriate performance period and accounting classifications.

Currently, CSD does not require subrecipients to submit supporting documentation alongside their expense submissions for reimbursement. Instead, CSD conducts line-item reviews of this documentation during triannual on-site monitoring visits. The number of transactions reviewed during on-site monitoring varies from 6-12, depending on each subrecipient's CSBG allocation amount using an Expenditure and Programmatic Criterion.

While existing fiscal controls and accounting procedures were deemed sufficient by OCS to trace funds adequately and ensure compliance with statutory restrictions and prohibitions, there is room for improvement. To enhance transparency and confirm subrecipients' adherence to federal regulations, it is recommended that CSD implement a process requiring subrecipients to provide supporting documentation with their expense submissions for reimbursement. This approach will enable CSD to monitor expenses more effectively and detect potential issues promptly, prior to on-site review visits.

Federal Financial Report

Title 45 C.F.R §96.30(b), respectively, requires 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 - Federal Financial Report (FFR). Subrecipients 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 FFRs 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.

The CSD has written policies and procedures for developing and ensuring timely submission of the FFR within OLDC. For the FY20 grant award (October 1, 2019 – September 30, 2021), OCS noted that the FFRs were submitted timely by December 31 in accordance with federal regulations.

Single Audits

Audit requirements under 2 CFR §200.501 and 45 CFR §75.501 specify that a non-federal entity that expends \$750,000 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 California obtained its single audit for the fiscal year ending June 30, 2020. OCS also reviewed subrecipient single audits to determine whether timely and appropriate corrective action was taken in instances of noncompliance with federal laws and regulations. For the single audits reviewed, OCS determined that the grant recipient complied with federal regulations governing single audits.

State Monitoring – Subrecipient Compliance – Single Audit

The State of California annually obtains single audits of its subrecipients following 2 CFR §200 and 45 CFR §96.31(b). CSD has established policies and procedures to assess whether single audit corrective actions have been sufficiently addressed. CSD provided examples of completed subrecipient monitoring reports that included subrecipient resolutions to the single audit findings and CSD's determination on whether the findings were adequately resolved.

OCS concluded that CSD had effective controls in place to monitor its subrecipients' single audits, ensuring timely submission and appropriate corrective action taken by recipients in instances of noncompliance. OCS determined that CSD is in compliance with regulatory requirements for single audits.

During our review of your fiscal operations, we documented the following, issues of non-compliance and opportunities for improvement. The former will require your immediate attention.

Issues of Non-Compliance

- None

Opportunities for Improvement

- Item 1: CSD does not require subrecipients to submit supporting documentation with their expense submissions for reimbursement. This may limit the ability to monitor expenses effectively and detect potential issues in a timely manner, prior to on-site review visits.
 - Recommended Action1: OCS recommends CSD implements a process requiring subrecipients to provide supporting documentation with their expense submissions for reimbursement. This approach will enable CSD to monitor expenses more effectively and detect potential issues promptly, prior to on-site review visits.

ADMINISTRATIVE ANALYSIS

Administrative and Discretionary Use of Funds

Section 675C(2) of the CSBG Act references the administrative cap – no state may spend more than the greater of \$55,000 or 5% of the grant for administrative activities¹, including monitoring activities. The state shall take funds to be spent for such expenses from the portion

¹ The Administrative Analysis might include review of such items as record-keeping, procurement, property, the handling of appeals and grievances, the use of technology, and administrative costs.

of the grant after the state makes grants to eligible entities. Section 675C(b)(1), Use of the Remainder of the CSBG Act states that the state shall use the remainder of the grant or allotment received for discretionary purposes.

Administrative Funds

The CSD allocated administrative funds to cover salary costs, administrative support, and IT support for the office and staff involved in CSBG grant management activities. OCS reviewed a sample of administrative costs concerning IT services and administrative support for CSD and determined that funds were utilized in compliance with Section 675C(2) of the CSBG Act.

Discretionary Funds

CSD provided policies and procedures illustrating compliance with discretionary fund usage. Out of the total CSBG Award (\$65,688,129), 5% (\$1,313,762,580) was allocated as discretionary funds to support Limited Purpose Agencies (LPAs), as described in California Government Code §12775 as community-based nonprofit organizations. Additionally, discretionary funds support specific training and technical assistance needs for subrecipients through the California Community Action Partnership (CalCAPA). The OCS concluded that these expenses were adequately supported and documented in the department's general ledger used by staff to track funds.

Monitoring Subrecipients

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.

The CSD utilizes the database eGov which integrates training and technical assistance data with other monitoring activities. This system enables CSD Field representatives to track subrecipients' award progress, identify their ongoing needs, and allocate resources more effectively. CSD Field Representatives conduct a pre-monitoring assessment of their subrecipients in December, which identifies factors that may indicate a potentially underperforming agency, an administratively challenged agency, or an agency in need of training or technical assistance. The pre-monitoring assessment is designed to identify signs that could be mitigated before the subrecipient is in an at-risk situation. The result of the pre-monitoring assessment is used to determine the scope of the review and prioritize the monitoring schedule. For subrecipients not selected for a full onsite monitoring review, CSD conducts an annual desk review. This pre-monitoring assessment corresponds with items on the Desk Review and On-Site Review Tools and is used as part of CSD's comprehensive CSBG Monitoring Process.

The desk review is an in-house review process that is conducted annually, usually between April and October. The review assesses an agency's overall capacity to administer their CSBG program and determines whether the subrecipient has any training and technical assistance needs. The scope of the

review includes an assessment of the agency's board governance, fiscal progress based upon the agency's three-year historical spending practices, programmatic performance, compliance with Organizational Standards, and any open findings from previous monitoring reports. These documents are submitted during the contract term and are readily available to the CSD Field Representative through the eGov system.

During the onsite monitoring visits, an onsite monitoring tool is used to verify if CSBG-eligible entities meet the performance goals, administrative standards, financial requirements, and other provisions included in the CSBG agreement. During the visit, CSD works with the subrecipient to identify TTA needs that will help enhance their administration of CSBG. Following the onsite and desk reviews, written monitoring reports are issued to identify findings (if applicable), TTA needs, and best practices. Findings are monitored by assigned CSD Field Representatives to ensure subrecipients implement the required corrective action. OCS found that CSD complied with the monitoring requirements in Section 678B(a) of the CSBG Act.

Tripartite Boards

Section 676B of the CSBG Act 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 planning, implementing, and evaluating the program(s) that services their low-income communities.

The CSD has implemented policies and procedures to ensure compliance with tripartite board requirements. Subrecipients must submit a board roster with their annual CSBG contract. This roster undergoes review during scheduled desk or on-site monitoring to identify any board vacancies. If a vacancy is detected, CSD's monitoring procedures manual outlines appropriate actions. CSD Field Representatives conduct quarterly follow-ups on filling board vacancies; subrecipients must provide updates on their progress completed activities to fill vacancies within the electronic Government Operations (eGov) system. CSD policies also set a vacancy timeframe limit of less than 90 days and restrict board size to a minimum of 12 members. Additionally, CSD regularly reviews board data and mandates timely submission of board-related documentation through annual CSBG application processes, annual monitoring efforts, and quarterly following a board meeting via the organizational standards module within eGov.

OCS determined that CSD was in compliance with meeting statutory requirements for tripartite boards.

Corrective Action, Termination, and Reduction of Funding

Section 678C of the CSBG Act states that if the state determines, based on a final decision that an eligible entity fails to comply with the terms of an agreement, or the state plan, to provide services... or 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.

OCS reviewed CSD's policies and procedures concerning corrective action, termination, and reduction of funding. The review determined that these measures were adequate for meeting CSBG statutory requirements under Section 678C of the CSBG Act. Subrecipients are given 30 days to inform the state of the corrective action plan for addressing the deficiencies identified in issued monitoring reports. The subrecipient's corrective action plans include action taken to address deficiencies, individual responsible for addressing deficiencies, and timeframe for completion. Additionally, CSD's Field Operations Unit collaborates with CSD's Audit Unit to ensure that any existing corrective actions have been resolved. During the reviewed periods, CSD did not terminate or reduce CSBG funding for any subrecipients.

Limitations on Use of Funds

Per Section 678F of the CSBG Act, grant funds 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.

CSD has a written policy and procedure prohibiting subrecipients from using CSBG funds for the purchase or improvement of land or the purchase, construction, or permanent improvement of any building or other facility. Additionally, these restrictions are clearly stated in the award contract terms and conditions signed with the subrecipient, to help ensure awareness of and compliance with section 678 F of the regulation.

Training and Technical Assistance

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

The CSD utilizes CSBG funds to deliver TTA for its 58 subrecipients, adhering to Section 675C(b)(1)(A) of the CSBG Act. CSD established the Technical Support Unit (TSU) to support and expand the state's ongoing TTA to their subrecipients. TSU is responsible for maintaining the effective administration of the CSBG, CSBG Discretionary Initiatives, and other programs as developed within CSD. The TSU works with the CSD Field Representatives to evaluate performance and provides training and technical support to CSBG subrecipients. In addition, CSD enters an annual contract with the association, CalCAPA, that specializes in helping CSBG subrecipients increase their knowledge, skills, and capacities to fulfill their various plans. For example, through this association, subrecipients participate in network meetings to receive specific training such as in building organizational capacity, and targeted specific technical assistance needs.

Upon reviewing CSD's policies and procedures regarding TTA activities, OCS determined they are complying with Section 675C(b)(1)(A) and Section 678C(a)(3) of the CSBG Act.

During OCS' review of administrative operations, we documented the following, issues of non-compliance and opportunities for improvement. The former will require your immediate attention.

Issues of Non-Compliance

- None

Opportunities for Improvement

- None

NEXT STEPS

This is the Final Monitoring Report regarding the remote review of the California CSD CSBG from Monday, December 5, 2022, through Friday, December 9, 2022. The period reviewed included FY21. If you or your staff has any questions, please contact the Financial Operations and Accountability Branch Chief, Melissa Joseph at 202-690-6117 or melissa.joseph@acf.hhs.gov.