

Illinois 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 Illinois designated the Illinois Department of Commerce and Economic Opportunity (IDCEO), Office of Community Assistance as the appropriate lead agency for the administration of CSBG. IDCEO’s Office of Community Assistance CSBG provides funding, technical assistance, and support to 35 eligible entities. Together the agencies provide an array of services within the State of Illinois 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.

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 statute, a 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

OCS staff conducted the Remote Review of the Illinois Department of Commerce & Economic Opportunity (IDCEO), Office of Community Assistance CSBG and its eligible entities from Monday, April 25, 2022 through Friday, April 29, 2022. The periods reviewed included Fiscal Year (FY) 2020.

METHODOLOGY

OCS reviewed documented procedures and practices for administrative, fiscal, and program operations and interviewed the Illinois Department of Commerce & Economic Opportunity (IDCEO), Office of Community Assistance 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.

The Illinois Department of Commerce & Economic Opportunity (IDCEO) was sent a CSBG Initial Report on August 24, 2022, for which there were 30 days to provide a response. All written responses were read and evaluated.

ADMINISTRATIVE ANALYSIS

During our review of your administrative operations¹, 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

FISCAL ANALYSIS

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: IDCEO does not require supporting documentation to be provided with subrecipient expense submissions for reimbursement.
 - Recommended Action 1: OCS recommends IDCEO modify their policies and procedures, incorporating a consistent review of subrecipient and subgrantee expense submissions throughout the year. This will help establish a more robust

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 other administrative costs.

system for monitoring expenditures and ensuring compliance with relevant regulations.

PROGRAMMATIC ANALYSIS

During our review of your programmatic operations, we 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
- **Notable Practices**
 - Practice 1: IDCEO has a well-maintained reconciliation process for ensuring federal funds are recorded under the appropriate performance year of the CSBG award and Coronavirus Aid, Relief, and Economic Security Act (CARES).
 - Practice 2: IDCEO performs subrecipient monitoring at least once every 2 years instead of the triennially as required by statute.

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

The IDCEO uses administrative funds to support CSBG program salaries and training. IDCEO allocated unexpended state administrative CSBG funds to the City of Chicago to assist with community service programs served by the Low Income Home Energy Assistance Program (LIHEAP) or other CARES initiatives which is separate from the CSBG discretionary expenditures.

OCS' review of the supporting documentation determined IDECO has policies and procedures on the use of administrative funds in accordance with Section 675C(2) of the CSBG Act and found that expenses were properly supported and entered in the general ledger to track funds within the state.

Discretionary Funds

Of the \$34,827,469 FY2020 CSBG award, the IDCEO designated \$1,260,460 as discretionary funds to provide training and technical assistance to subrecipients. These services are provided by the state, State Community Action Association, regional and national providers, and individual consultants with IDCEO's participation. The use of CARES discretionary funds included assisting subrecipients with purchasing and upgrading IT infrastructure along with grants for innovative projects. OCS determined the funds were used in compliance with Section 675C(b)(1).

Community Action Plan and Community Needs Assessment

Section 676(11) of the CSBG Act requires the state to secure a community action plan (CAP) from each eligible entity that includes a Community Needs Assessment (CNA) for the community served, which may be coordinated with CNAs conducted for other programs.

In accordance with Section 676(11) of the CSBG Act, Illinois Department of Commerce & Economic Opportunity (IDCEO) provides updated policies and procedures for each new grant cycle to subrecipients on the requirements of an accepted CAP and due dates of submission to assigned IDCEO grant managers. For the CARES supplemental funding, the state adopted templates provided by the National Community Action Partnership (NCAP) and National Association for State Community Services Programs (NASCS). The state grant managers reviewed CNAs and CAPs within the state's grant management system, STARS, as part of the application process, using a checklist, as outlined in IDCEO's Office of Community Assistance CSBG Standard Operating Procedures, ensuring CNAs and CAPs align with subrecipient's scope of work. IDCEO is in process working with their state association (under contract) on standardized CNA and CAP templates to utilize, which will allow aggregation of information statewide and provide a statewide needs assessment template.

OCS reviewed CNAs for four subrecipients and obtained quarterly reports for all subrecipients. OCS found that IDCEO procedures and practices assured subrecipients accurately addressed the needs of the community and its residents.

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 IDCEO monitoring procedures comply with state and federal regulations. IDCEO performed the required monitoring and follow-up reviews involving the state's thirty-five subrecipients in accordance with Section 678B(a) of the CSBG Act. The office of Community Services (OCS) has reviewed IDCEO's monitoring processes and procedures, triennial monitoring schedule, and supporting documentation for fiscal year (FY) 2019 monitoring reports. The monitoring process covers other federal program areas such as LIHEAP, Weatherization Assistance Program (WAP), and Low Income Household Water Assistance Program (LIHWAP). Although the CSBG Act requires triannual full on-site monitoring of subrecipients, IDCEO conducts this review every two years. However, operations were disrupted in 2020 due to the COVID-19 pandemic and no on-site or remote monitoring was done that year.

IDCEO uses a joint site visit approach for its monitoring process involving both program and fiscal staff. This combined approach enables the staff to review the entities' fiscal and program information, identifying areas of concern or issues, and provide technical assistance and training (TTA) to subrecipients that fail to meet goals, standards, or requirements established by the state. IDCEO conducts annual desk reviews on organizational standards, reporting, and application/amendment processes to ensure subrecipients meet organizational standards using relevant tools for each area under review. IDCEO's CSBG policies include an established process for conducting full on-site reviews for newly designated entities, in compliance with Section 676A of the CSBG Statute.

Training and Technical Assistance

Section 675C(b)(1)(A) 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) indicates states shall offer TTA, if appropriate to help correct eligible entities deficiencies.

The IDCEO utilized CSBG discretionary funds for offering TTA to its 35 subrecipients, in compliance with Section 675C(b)(1)(A) of the CSBG Act. The IDCEO collaborates with its State Association to identify the training requirements of subrecipients. Such training may encompass organizational standards, governance, tripartite boards, community assessment, reporting, and Results Oriented Management and Accountability (ROMA).

After the monitoring process, both the IDCEO grant managers and the State Association make available targeted TTA throughout the year to cater to the specific needs of subrecipients. The IDCEO supplied the OCS with examples of trainings offered and TTA webinars. The IDCEO grant managers also hold biweekly internal workgroup meetings to discuss common trends and TTA requirements within their sector. The OCS determined that the IDCEO's policies and procedures are sufficient in addressing subrecipient needs and ensure compliance with the CSBG Act's stipulations.

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 Illinois Department of Commerce & Economic Opportunity (IDCEO) has policies and procedures which address corrective actions, terminations, and funding reductions to ensure compliance with Section 678C. The OCS reviewed IDCEO's existing CSBG policy manual and interviewed staff to identify any guidance gaps in addressing corrective actions, terminations, and funding reductions. The CSBG policies and procedures offer adequate guidance for assisting both agency staff and eligible entities in understanding and adhering to compliance requirements under Section 678C. During our review period, IDCEO had no terminations or reductions in funding.

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 CSBG Act, 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.

OCS determined that IDCEO has fiscal controls and accounting systems and procedures in place to adequately trace CSBG funds to ensure that they have not been used in violation of the restrictions and prohibitions of the statute.

For FY2020, IDCEO received \$34,827,469 for CSBG. To determine the allowability and allocability of federal funds, OCS verified sample expenditure transactions within the state's FY2020 general ledger tracing recorded expenditures to the appropriate period of performance

and appropriate accounting classifications. To minimize the risk of exposing the personal identifiable information of IDCEO staff, OCS did not request documentation for a sample of administrative transactions. IDCEO maintains an adequate accounting system that identifies sources and uses of funds applicable to the grant award and traces the funds to a level of expenditures in accordance with State and federal regulation. IDCEO staff provided OCS staff with an online walkthrough of selected administrative transactions in the general ledger and the accompanying supporting documentation. IDCEO does not require supporting documentation to be provided with subrecipient expense submissions for reimbursement. If a subrecipient is considered high-risk then supporting documentation is requested prior to approval of funds.

OCS recommends that IDCEO develops a process for reviewing subrecipient expense submissions throughout the year. To accomplish this, OCS suggests creating a structured timeline with periodic checkpoints for review. It is advised that IDCEO implements more rigorous internal controls, such as requiring all subrecipients to provide supporting documentation prior to reimbursement payment requests. This documentation should demonstrate that expenses have been paid using the organization's (i.e., subrecipient) funds prior to submitting a reimbursement request. By adhering to the guidelines provided in the Green Book, IDCEO will establish a more robust system for monitoring subrecipient expenditures and further ensure compliance with both state and federal regulations.

Federal Financial Report

45 CFR §96.30(b), 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. Eligible entities 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 CSBG Act.

For the FY2020 grant award (October 1, 2019 – September 30, 2021), IDCEO submitted the FFRs in compliance with federal regulations. The IDCEO has implemented fiscal control and accounting procedures that allow for the proper preparation of these reports. Upon examination, OCS could accurately track CSBG fund usage down to a level of expenditure, ensuring that no violations were found in relation to the statute.

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.

The State of Illinois obtained its single audit for the state fiscal year ending June 30, 2020, as required by 2 CFR §200 and 45 CFR §75. The OCS reviewed the single audit to determine if timely and appropriate corrective action was taken in instances of noncompliance with federal laws and regulations. For the single audits reviewed, OCS found that the grant recipient was compliant with federal regulations governing single audits.

State Monitoring – Eligible Entity Compliance – Single Audit

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

OCS concluded that IDCEO 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.

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.

PROGRAM OPERATIONS

Use of Ninety (90%) Percent 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 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 of the CSBG Act to eligible entities.

In Fiscal Year (FY) 2020, IDCEO disbursed 90 percent of CSBG funds to its subrecipients in accordance with Section 672 of the CSBG Act. IDCEO operates on a 24-month budget cycle using the state fiscal calendar, which begins in July and finishes in June of the subsequent year. Reimbursement payments are issued monthly to subrecipients upon approval of submitted invoices. IDCEO staff keeps track of each subrecipient's awarded amount within System Tracking Awards, Reporting & Successes (STARS), the state's electronic grant management system.

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.

The IDCEO has established policies and procedures to guide tripartite board compliance, which include mandating that vacancies be filled within 90 days. The State of Illinois statute also requires boards to consist of a minimum of 15 and a maximum of 51 members. IDCEO necessitates that bylaws, rosters, and minutes be submitted through the Standard Technical Assistance Reporting System (STARS), along with organizational standards and ensures that boards convene at least four times a year.

For each new grant cycle, IDCEO enters into a contractual agreement with the State Association to meet the TTA needs of the CSBG network, assisting efforts to fill and maintain tripartite board compliance. During the IDCEO staff's quarterly review of subrecipient tripartite board compliance, grant managers complete a checklist for each subrecipient detailing current board compliance status and efforts taken to address vacancies. This information is included as part of the onsite or desktop monitoring scheduled for the subrecipient that year.

OCS determined that IDCEO has implemented procedures ensuring eligible entities adhere to Section 676B of the CSBG Act regarding tripartite boards. This compliance encompasses selection and composition of the Board and ensures board members partake in the planning, implementation, and evaluation of programs serving low-income communities.

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 IDCEO uses ROMA as specified under Section 678E(1) of the CSBG Act. They assess performance and outcomes while reporting data to the NASCSP. IDCEO mandates all subrecipients employ the Single Tracking and Report System (STARS), an online data management system, to efficiently track ROMA-related data. To date, 18 out of 35

subrecipients have ROMA trainers. Furthermore, IDCEO established a working group that develops training tools with example documentation to help meet each standard.

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. As required, IDCEO submitted the CSBG Annual Report through the Online Data Collection (OLDC) system.

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.

IDCEO has a policy in place to prohibit subrecipients from using CSBG funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement to any building or facility.

SUMMARY

This is our Final Monitoring Report regarding the remote review of the Illinois IDCEO CSBG from Monday, April 25, 2022 through Friday, April 29, 2022. The periods reviewed included the FY 2020. 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.