

# **New Hampshire 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 New Hampshire designated the New Hampshire Department of Health & Human Services (DHHS) as the appropriate lead agency for the administration of CSBG. The State of New Hampshire provides funding, technical assistance, and support to five (5) CSBG-eligible entities. Together the agencies provide an array of services within the State of New Hampshire 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, 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**

OCS conducted the remote review of the New Hampshire DHHS administration of CSBG from September 20, 2021 through September 24, 2021. The period of review included the federal Fiscal Year (FY) 2019.

## **METHODOLOGY**

OCS reviewed documented procedures and practices for administrative, fiscal, and program operations and interviewed the DHHS 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 the eligible entities' compliance with the state-level assurances.

## **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.

In FY19, DHHS disbursed 95% of CSBG funds to its subrecipients in accordance with Section 672 of the CSBG Act. Although the state fiscal year cycle starts July 1 and ends on June 30, the contracting process is completed prior to the start of the federal fiscal year allowing them to be in place before the federal funds are issued. The program staff uses a CSBG workplan to track funding based on the federal fiscal year. DHHS disburses CSBG funds to its subrecipients as reimbursement payments and tracks their budget in the state's accounting system known as New Hampshire Fundamental Improvements to Revitalize Systems/Services and Technology (NH FIRST).

### **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 officials 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, implementing, and evaluating the program services provided to individuals and families in low-income communities.

During the review, OCS noted that the DHHS CSBG policies and procedures manual does not sufficiently promote compliance with tripartite board requirements. While the manual covers the selection process and board composition, it lacks guidelines on submitting meeting minutes, rosters, and board change documentation to DHHS. Moreover, the manual does not

specify a timeframe for filling vacancies as recommended by 45 CFR 75 (Uniform Guidance Appendix XI) nor address how DHHS maintains board compliance.

OCS determined DHHS does not collect information to track board compliance throughout the year and only performs a limited review of tripartite board compliance during its annual review of the organizational standards. Furthermore, DHHS discontinued the use of a tracking tool designed to monitor board compliance regularly and could not provide tripartite board documentation during the monitoring review.

### **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 achieves 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.

DHHS participates in the ROMA system in accordance with Section 678E(1) of the CSBG Act to measure performance, program outcomes, and reports data to the National Association for State Community Services Programs (NASCS).

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, DHHS submitted the CSBG Annual Report through the Online Data Collection (OLDC) system and met the submission deadlines for the period under review.

### **Limitations on Use of Funds**

Per Section 678F of the CSBG Act, 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.

DHHS 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.

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 Noncompliance

- Issue 1: During the review, OCS noted the DHHS' CSBG policies and procedures manual does not include documentation regarding submission requirements, appropriate timeframes to fill board vacancies, and a process for ensuring ongoing compliance with section 678B.
  - Required Corrective Action 1: OCS determined that DHHS must update its policies and procedures to require boards to submit specific information for review, establish a timeframe for filling vacancies, and process they will implement to ensure ongoing compliance.

## Opportunities for Improvement

- None.

## Grantee Response:

DHHS agreed to update its *CSBG Manual of The State of New Hampshire* to include a number of requirements to improve tripartite board compliance. Specifically, CAA's are required to perform the following actions:

- Provide a copy of their bylaws indicating:
  - the composition of the board to include how that composition is in compliance with the tripartite board requirements of the CSBG Act
  - their process for filling vacant seats
  - term limits of each sector of board members
  - process for removing board members
  - process for replacing board members
- Submit a copy of the most current board members annually with their Annual Report submission
- Report all board vacancies to the CSBG State Office no later than 10 business days after such vacancy occurs
- Notify the CSBG State Office within 10 business days of a vacancy being filled
- Notify the CSBG State Office within 45 calendar days if a vacancy is not filled and communicate with the CSBG Office every 10 business days until said vacancy is filled
- Provide meeting minutes within 30 calendar days of any meeting in which the board takes any action relative to board membership.

Additionally, the State will conduct an onsite visit and organizational review to ensure compliance with the CSBG manual at least annually. The new contracts, effective October 1, 2023, require administration of the CSBG through a tripartite board that participates in the development, planning, implementation, and evaluation of the program.

OCS Decision:

OCS concurs with the measures DHHS is implementing to improve board compliance. OCS will consider the corrective action resolved upon receipt of the updated manual and an example of a contract reflecting the updated board requirements.

## **FISCAL ANALYSIS**

### **Fiscal Controls**

Title 45 C.F.R. § 96.30(a) require states to maintain fiscal controls 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.

OCS determined that DHHS has accounting systems and procedures in place to trace CSBG funds based on its review of sample transactions.

For FY2019, DHHS received \$3,731,721 for the CSBG program. To determine the allowability and allocability of federal funds, OCS verified a sample of FY19 general ledger transactions. OCS sampled administrative and discretionary transactions and compared the sampled transactions against the general ledger, requests for payments, accounting revenue and receipts, and disbursement documentation provided by the grant recipient. To minimize the risk of exposing personal identifiable information of DHHS staff, OCS did not request documentation for a sample of administrative transactions consisting of salary-related expenses, but instead selected administrative transactions associated with audit-related costs. During the review, DHHS did not provide supporting documentation (checks, receipts, purchase orders) for program and discretionary expenditures. DHHS does not require subrecipients to submit supporting documentation for reimbursement.

OCS determined the process used to approve the use of discretionary funds in the Administrative Analysis section of this report, that DHHS does not have fiscal policies and procedures in place to ensure compliance with 45 CFR 75 Subpart E, Uniform Guidance Cost Principles. A thorough policy or procedure would have mitigated an issue of potential questionable cost and DHHS taking a couple of months to provide proper justification to resolve the issue.

### **Federal Financial Report**

Title 45 CFR §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.

For the FY20 grant award (October 1, 2019–September 30, 2021), DHHS submitted the FFRs in accordance with federal regulations in OLDC by the due date.

### **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 New Hampshire obtained its single audit for the state fiscal year ending June 30, 2019.

#### *State Monitoring – Subrecipient Compliance – Single Audit*

As a part of subrecipient monitoring, DHHS program staff does not review the single audit reports from eligible entities to determine whether corrective actions have been sufficiently addressed. DHHS has designated the Bureau of Program Integrity, which manages single audit reviews. The office is responsible for ensuring that audit findings are resolved, determine whether corrective actions are acceptable, and issuing management decision letters. Each year the office accesses the Federal Audit Clearinghouse to obtain the single audit submitted for its five (5) subrecipients. One subrecipient received a finding related to reconciliation; however, DHHS determined that the corrective action taken was sufficient. OCS reviewed the single audit to determine whether timely and appropriate corrective actions were taken in instances of noncompliance with federal laws and regulations.

OCS determined that the grant recipient was in compliance with federal regulations governing single audits for the single audits reviewed.

During the review of DHHS fiscal operations, OCS identified the following:

### **Issue of Noncompliance**

- Item 1: OCS determined that DHHS does not require supporting documentation for subrecipient expense submissions for reimbursement. Moreover, DHHS does not have fiscal policies and procedures in place to ensure adherence to 45 CFR 75 Subpart E, Uniform Guidance Cost Principles. This may result in insufficient tracing of funds and potential questionable costs.

- Required Corrective Action 1: DHHS needs to update fiscal procedures and subrecipient contracts to include requiring supporting documentation with expense submissions throughout the year. This will assist the state in determining whether expenses are properly supported, allowable, or allocated to ensure compliance with title 45 CFR § 96.30(a).
- Required Corrective Action 2: DHHS must establish fiscal policies and procedures to ensure compliance with 45 CFR 75 Subpart E, Uniform Guidance Cost Principles.

**Grantee Response:**

DHHS is updating the CSBG Manual for the State of New Hampshire to include specific reference and procedures for adherence to 45 CFR 75 Subpart E. The anticipated release date for the updated CSBG Manual with the current DHHS policy on supporting documentation for sub-recipients is December 31, 2023.

All five NH CAAs signed new contracts, effective October 1, 2023, with requirements for submitting cost reimbursements. These requirements are being incorporated into the CSBG Manual. The new contract in part requires:

- The Grantee shall submit an invoice with supporting documentation to the Department...  
The Grantee shall ensure each invoice:
  - Includes supporting documentation of allowable costs with each invoice that may include, but are not limited to, time sheets, payroll records, receipts for purchases, and proof of expenditures, as applicable, and upon Department request.

**OCS Decision:**

OCS concurs with the actions DHHS is implementing to include specific references and procedures for adherence to 45 CFR 75 Subpart E in the updated CSBG manual and the addition of requirements for supporting documentation in the manual and contracts. Despite these positive steps, the response from DHHS lacks detail on how the newly required supporting documentation will be incorporated into their review and approval process. OCS will deem the corrective action as resolved upon receipt of the updated manual, a sample contract that adheres to updated documentation requirements, and a detailed explanation of the review and approval process for expense submissions.

**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 five percent of the grant for administrative

activities<sup>1</sup>, including monitoring activities. The state shall take funds to be spent for such expenses from the portion 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*

DHHS uses administrative funds to support CSBG program salaries. OCS determined that the administrative funds were used in accordance with Section 675C(2) of the CSBG Act and expenses were properly supported and entered in the general ledger to track funds within the state.

#### *Discretionary Funds*

Of the \$3,731,721 FY19 CSBG funding award, DHHS distributed 95% of the funds directly to the subrecipient, which included the \$183,740 allocated as discretionary funds. DHHS policy allows subrecipients to use discretionary funds to fund new innovate projects or the expansion of an existing program. DHHS policy and procedures requires, among other things, (1) subrecipients to submit a written proposal for projects being funded with discretionary funding and (2) DHHS approval. However, DHHS policies did not mandate evaluating the appropriateness of using discretionary funds. Consequently, approvers accepted proposals without further assessment.

For instance, DHHS approved a truck purchase and related repair cost for weatherization activities using discretionary funds. The approver did not evaluate the proposal's suitability according to CSBG regulations or its alignment with other beneficiary programs, such as the Weatherization Program. The state's interpretation of "discretionary" allowed approvers to accept any proposal without additional scrutiny.

OCS requested additional documentation specific to this purchase. The subrecipient provided evidence linking the project to another federal program that justified using CSBG funds for this purchase. DHHS also provided additional documentation to assist OCS in determining the purchase was an allowable cost. OCS concluded that the truck purchase and associated repair costs were permissible under the CSBG Act.

#### **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 action plans conducted for other programs.

In accordance with Section 676(11) of the CSBG Act, DHHS requires eligible entities to submit community needs assessments every three (3) years using a format of their choice and

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<sup>1</sup> 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.

community action plans annually. At the time of the review, DHHS staff noted that they did not understand the entire community needs assessment process, such as what makes a good needs assessment, what goes into it, the volume of respondents, and tripartite board involvement.

OCS provided technical assistance during the review to assist in clarifying the process and recommended DHHS seek out additional technical assistance with OCS established partners to further its understanding of the community needs assessment process.

### **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.

DHHS program staff are responsible for performing monitoring of New Hampshire's CSBG subrecipients. Although DHHS has a comprehensive policy requiring subrecipient monitoring and tools available to perform the work, staff did not follow DHHS policy or use the available tools when conducting monitoring. At the time of the OCS review, DHHS conducted monitoring reviews on an annual basis; however, the one-day onsite monitoring review focused on assessing subrecipient administrative and programmatic components against the organizational standards. The organizational standards alone are not intended to meet all CSBG statutory and regulatory requirements. The monitoring activities did not include reviews of essential programmatic components such as client eligibility. The fiscal review component is performed prior to the visit and consisted of reviewing an invoice covering a one-month period, comparing it to the general ledger, and requesting supporting documentation for a couple of transactions. This review is not sufficient to gain an understanding of fiscal operations, such as accounting systems and internal controls which the staff performing the monitoring did not understand as being relevant. The level of monitoring described at the time of this OCS review does not allow DHHS to assess subrecipient performance, fiscal viability, or need for technical assistance, and opens the program to potential fraud, waste, and abuse.

At the time of the OCS review, the last monitoring reviews were performed between June 2019 – October 2019, for four (4) out of the five (5) subrecipients. The fifth subrecipient was originally scheduled for monitoring in February 2020 but was initially delayed due to turnover with the finance director position then postponed again due to the pandemic.

OCS observed that DHHS staff did not follow DHHS monitoring policy or use available monitoring tools and lacked an understanding of monitoring fiscal operations. OCS also noted that DHHS procedures were not sufficient to inform subrecipients of the monitoring process.

## **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.

DHHS makes TTA available to its five (5) subrecipients, in accordance with Section 675C(b)(1)(A) of the CSBG Act. DHHS uses carryover administrative funds to provide TTA for subrecipients and to support the annual regional conference. DHHS does not perform activities to determine whether there is a need for individualized TTA outside of the regional conference offerings. OCS queried DHHS staff about whether it used the state association for TTA assistance similar to other CSBG grantees. DHHS staff responded that there is a state association in New Hampshire, however, it does not have official staff and DHHS staff had only recently become involved with them.

OCS noted that although DHHS policies and procedures address TTA activities, DHHS has not assessed subrecipient training needs or allocated funds for TTA outside of the regional conference.

## **Corrective Action, Termination, and Reduction of Funding**

Section 678C of the CSBG Act 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) Determine that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination.

DHHS did not have any terminations or reductions in funding during the periods included in our review. DHHS' procedures for corrective action, termination, and reduction of funding only repeat the requirements of Section 678C of the CSBG Act and therefore, provide insufficient guidance to eligible entities in understanding DHHS' processes for these activities.

During our review of your administrative operations<sup>2</sup>, we documented the following issues of non-compliance, and opportunities for improvement. The former will require your immediate attention.

### **Issue of Noncompliance**

- Issue 1: DHHS program staff have not followed the DHHS monitoring policy or used the available tools when conducting monitoring of CSBG subrecipients, resulting in insufficient evaluations of subrecipient performance, fiscal viability, and need for technical assistance. This leaves the program vulnerable to potential fraud, waste, and abuse.
  - Required Corrective Action 1.1: DHHS must ensure that their program staff adhere to the monitoring policy and use available tools while conducting their reviews. They should also provide training to the staff in understanding fiscal operations and internal controls. Finally, DHHS must revise their procedures to better inform subrecipients about the monitoring process; and update its procedures to adequately inform subrecipients of the monitoring process.

### **Grantee Response:**

DHHS acknowledged that from April 2020 to June 2022, their processes were disrupted due to the State's strategic response to the COVID-19 pandemic. During this time, New Hampshire was under a state of emergency, and processes were quickly converted to digital formats, and non-standard templates were used. As the pandemic response has wound down, DHHS confirmed that it has resumed its standard approval, risk assessment, and monitoring processes and has stopped using non-standard templates for federal funding awards.

The DHHS response also highlighted several key measures:

- With the hiring of a new CSBG Administrator, DHHS will comply with its own monitoring policies as well as ensure OCS monitoring requirements are met going forward.
- The DHHS Grants Management Office will be introducing new tools and compliance guidance for all grants administered by DHHS. The CSBG Office will be attending the training session being offered on October 31, 2023, and will begin utilizing those tools this Fiscal Year.
- On October 23, 2023, the CSBG Administrator met with all five NH CAAs. At that meeting they were informed that all five NH CAAs would have an onsite monitoring between December 1, 2023 and March 15, 2024. Subsequent to that monitoring, each CAA will be notified of the next monitoring in either one, two, or three years; hence, then, there will be the required triennial onsite monitoring required by OCS.

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<sup>2</sup> 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.

- Additional monitoring will be conducted monthly, quarterly, or yearly as needed based on previous monitoring results.

OCS Decision:

OCS concurs with the corrective measures proposed by DHHS to address the identified monitoring challenges. OCS will consider the issue resolved upon receipt of the new monitoring tools and compliance guidance implemented by DHHS.

### **Opportunity for Improvement**

- Item 1: OCS determined that DHHS policy and procedures do not instruct its approver to determine whether the proposal is an appropriate use of discretionary funds to assure compliance with Section 675C(b)(1).
  - Recommended Action 1: OCS recommends DHHS clarify its policy and procedures to instruct its approver regarding the process used to determine whether a proposal is an appropriate use of discretionary funds.
- Item 2: DHHS lacked an understanding of the community needs assessment process, including effective needs assessment, their components, respondent volume, and tripartite board involvement.
  - Recommended Action 2: OCS recommends DHHS seek additional technical assistance with OCS established technical assistance providers to further its understanding of the community needs assessment process.
- Item 3: DHHS has not assessed subrecipient training needs or allocated funds for TTA outside of the regional conference, while Section 675C(b)(1)(A) of the CSBG Act allows states to use CSBG funds for TTA.
  - Recommended Action 3: OCS recommends DHHS (1) perform activities to determine subrecipient TTA needs and (2) designate a portion of discretionary funds to support TTA for subrecipients.
- Item 4: DHHS procedures are inadequate to provide subrecipients with sufficient information to understand the processes involved for activities such as designation and redesignation, corrective actions, and terminations.
  - Recommended Action 4: OCS recommends DHHS revise its procedures to provide more specific guidance on their processes and procedures for corrective action, termination, and reduction of funding.

## **NEXT STEPS**

This is our Final Monitoring Report concerning this site visit. For issues of non-compliance reported above that have not been identified as closed by OCS, specific action is required detailing your plans to correct the issues. You will have 45 calendar days, after issuing the Final Monitoring Report, to respond with a Corrective Action Plan (CAP).

OCS staff is available to assist you in developing mutually agreeable solutions to correct the issues of non-compliance. Within 15 calendar days of receiving your Corrective Action Plan, a Response to CAP letter will be issued indicating whether or not OCS is satisfied that all the areas of non-compliance have been addressed. Once OCS is satisfied that the non-compliance issues have been resolved a Monitoring Close-Out Letter will be issued.

If you or your staff has any questions, please contact Melissa Joseph, Financial Operations and Accountability Branch Chief at 202-690-6117 or [melissa.joseph@acf.hhs.gov](mailto:melissa.joseph@acf.hhs.gov).