Thank you for your continued engagement and partnership with the Office of Community Services (OCS) to administer the Community Services Block Grant (CSBG) and to serve individuals, families and communities with low incomes. We value our strong, ongoing partnership, and hope to continue to be a resource to you as you administer CSBG. The purpose of this guidance is to inform CSBG grantees of the option to conduct remote monitoring during the COVID-19 public health crisis. The guidance also offers recommended minimum standards for remote monitoring of CSBG eligible entities.

**Related References:** CSBG Act, 42 USC 9901 et seq.; Robert T. Stafford Disaster Relief and Emergency Assistance (“Stafford”) Act, 42 USC 5121 et seq.; the CARES Act, Public Law 116-136; and HHS Uniform Administrative Requirements, 45 CFR Part 75.

**On-Site Monitoring Requirement**

Due to the public health emergency caused by COVID-19, OCS is modifying an administrative requirement of the CSBG Act -- specifically the requirement that full monitoring of eligible entities be conducted on-site in accordance with Section 678B(a)(1) of the CSBG Act, 42 USC 9914(a)(1). Please note that this only applies to the requirement for monitoring reviews to be conducted on site. This modification does not relieve the requirement to monitor eligible entities during the public health emergency. States are expected to resume on-site monitoring at the conclusion of the public health emergency.
ACF is modifying the monitoring requirement to allow exclusively remote reviews pursuant to Section 301 of the Stafford Act, 42 USC 5141, which authorizes Federal agencies to “modify or waive, for a major disaster, such administrative conditions for assistance as would otherwise prevent the giving of assistance” under any program administered by the agency “if the inability to meet such conditions is a result of the major disaster.” ACF understands that the travel and in-person interactions that would be required for on-site reviews raise the likelihood of COVID transmission and place staff at risk of the dangerous health effects of COVID. Further, ACF maintains that the requirement to conduct monitoring reviews on-site is the sort of administrative requirement that could result in an enforcement action preventing the giving of assistance and that its intent can largely be met through remote reviews. Therefore, due to the public health emergency, ACF is exercising its authority under the Stafford Act to modify the monitoring requirement, permitting grantees to comply with Section 678B(a)(1), 42 USC 9914(a)(1), exclusively through remote reviews.

**Annual Reporting**

For the purposes of the CSBG Annual Report, please record the remote monitoring as a “Full On-Site Monitoring” with the monitoring type as “Desk Review,” if you are not monitoring on site at the eligible entity or subrecipient.

States that elect to perform monitoring remotely should document the rationale for remote monitoring and consider on-site follow up monitoring when conditions permit. States should consider the relevance of any normal procedures that are unable to be performed remotely when evaluating follow-up on site monitoring.

**Recommended Minimum Standards for Monitoring of Eligible Entities**

OCS has prepared the following to aid grantees in the design of their monitoring effort for remote monitoring during the public health emergency. CSBG grantees are encouraged to use the following minimum standards and add specific oversight based upon their own policies, procedures, and specific program or sub-recipient needs.

**Risk Assessment**

The HHS Uniform Administrative Requirements at 45 CFR 75.352(b) require pass-through entities (e.g., state CSBG lead agencies) to perform an evaluation of each subrecipient’s (e.g., eligible entity’s) risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate level of subrecipient monitoring1.

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1 45 CFR 75.352(b)
CSBG grantees and eligible entities perform a risk assessment to determine the allocation of oversight and monitoring resources, and typically federal award pass-through entities use a risk assessment to determine where to focus their oversight efforts.

**Governance – Tripartite Board**

States must distribute at least 90% of their CSBG allotment to eligible entities as required by Section 675C(a)(1) of the CSBG Act, 42 USC 9907(a)(1). The CSBG Act also requires, at Sec. 676B (42 USC 9910) that to be an eligible entity for CSBG, the organization must be governed by a tripartite board.

All monitoring of eligible entities, remote or on-site, should include an evaluation of compliance with the tripartite board requirement. For example, states can evaluate compliance to the tripartite board requirement through the review of an eligible entity’s organizational standards or the board rosters.

**Eligibility**

CSBG is an income eligible program. CSBG supplemental CARES Act awards have additional eligibility requirements. As noted in CSBG IM 2020-157, the CARES Act authorizes states to revise the income limit for eligibility ceiling from 125 to 200 percent of the federal poverty level for CSBG services furnished during fiscal years 2020 and 2021, including services furnished with the state’s regular CSBG appropriations during those years. OCS believes that the full monitoring requirement of the CSBG Act includes providing reasonable assurance that CSBG is used to provide services to eligible communities, families, and individuals.

**Allowable Costs/Allowable Activities**

OCS recommends that CSBG grantees performing remote monitoring include an evaluation of the use of CSBG to provide reasonable assurance that the funds are used:

- In accordance with the CSBG Act;
- Are allowable and in conformity with the cost principles of the HHS Uniform Administrative Requirements; and
- Are expended in accordance with planned activities and address needs identified in the Community Needs Assessment (allowances may be made for emergency services).

**Performance Reporting**

Performance reporting is a critical element of CSBG, and the results of performance reporting are used to evaluate the entire CSBG program. States are encouraged to hold eligible entities accountable for the use of federal funds and provide as much assurance as possible that funds
meant to provide services for individuals, families and communities with low incomes are used as efficiently and effectively as possible.

Other Considerations

States may wish to consider evaluating the following in their remote monitoring:

An internal control evaluation

Internal controls are the processes, effected by management, to assure that the proper and accurate outcome is achieved. Put simply, internal controls are the processes that assure CSBG services are provided to eligible beneficiaries, in the authorized amount or type of service, and properly accounted for. States may review the internal control structure to identify areas of weaknesses and inefficiencies. States may use this to recommend changes to improve the processes at the eligible entity.

Evaluation of the entity’s financial health

States may wish to include the use of ratio analysis to gauge the financial strengths and weaknesses of CSBG eligible entities. OCS recommends examining the following during a basic review of the financial health of nonprofit entities:

- Quick Ratio – The ratio of liquid assets (cash, cash equivalents, and accounts receivable) to their current liabilities;
- Current Ratio – The ratio of current assets to current liabilities;
- Cash Flow analysis – In audited financial statements, a statement of cash flows is included. A statement of cash flows has three major components: cash flow from operations; cash flow from investing; and cash flows from financing. OCS recommends examining several years of data, at least three, to identify trends;
- Debt to Revenue – Long term debt to the revenue of the organization; and
- Debt to Net Assets – Long term debt divided by the net assets of an organization.

These ratios should only be used to supplement a state’s understanding of an eligible entity. As the majority of eligible entities are nonprofits, and nonprofit agencies do not have a profit motive, it is expected that they will not have the equivalent ratios of the private sector. It can be a useful tool to compare nonprofit organizations of similar size and scope and can give the state some indicators of the direction of their financial position. OCS recommends that states use this information as a part of their overall evaluation and not as a substitute.

Linkages

States may wish to consider the linkages employed by the entity and identify other resources that may be available to serve communities in need. OCS encourages states to familiarize
themselves with other federal, state, local government or private sources of funding that may be used to leverage and increase services to communities.

Thank you for your attention to these matters. OCS looks forward to continuing to provide high-quality services to OCS grantees.

/s/
Dr. Lanikque Howard
Director
Office of Community Services