



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

FINAL

Community Services Block Grant

CALIFORNIA State Assessment

On-Site Review

(June 23 – 27, 2014)

CALIFORNIA STATE ASSESSMENT

TABLE OF CONTENTS

I. Executive Summary1
 Background1
 State Assessment Authority.....1
 Scope of Review1
 Methodology2
II. State Assessment Findings and Recommendations3
III. California State Assessment8
 Administrative Operations8
 Designation of Lead Agency 8
 Public/Legislative Hearings..... 8
 State Application and Plan 8
 Community Action Plan and Community Needs Assessment 9
 Administrative and Discretionary Use of Funds 9
 Breakdown of Funds..... 10
 Monitoring 10
 Training and Technical Assistance..... 11
 Corrective Action, Termination, and Reduction 12
 Financial Operations.....12
 Fiscal Controls and Audits 12
 Audits..... 13
 Recapture and Redistribution of Unobligated Funds 14
 State Carryover Requirements..... 14
 Federal Financial Report 14
 Program Operations.....15
 Use of Ninety Percent Funds 15
 Tripartite Boards..... 15
 Accountability and Reporting Requirements 16
 Annual Report..... 16
 Limitation on Use of Funds 17
 Child Support Services 17
 Conclusion 17
APPENDICES18
 Eligible Entities (AT-A-GLANCE) Site Visit19
 Report Contributors21

California Community Services Block Grant

I. EXECUTIVE SUMMARY

BACKGROUND

The Community Services Block Grant (CSBG) provides assistance to States and local communities working through a network of Community Action Agencies (CAAs) and other neighborhood-based organizations for the reduction of poverty, 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 California Department of Community Services and Development (CSD), as the appropriate lead agency for the administration of CSBG. California CSBG provides funding, technical assistance, and support to 59 eligible entities¹ serving 70 counties. The eligible entities provide an array of services according to the Community Action Plan formulated to address local 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.

The information contained in this report was compiled during a State Assessment (SA) of California's CSBG and its eligible entities as evaluated by Federal staff of the Division of Community Assistance (DCA) in the Office of Community Services (OCS), an office within the Administration for Children and Families (ACF), U.S. Department of Health and Human Services (HHS).

STATE ASSESSMENT AUTHORITY

State Assessments are conducted to examine the implementation, performance, compliance, and outcomes of a State's CSBG and to certify that the State is adhering to the provisions set forth in Title II – Community Services, of the Coats Human Services Reauthorization Act, Public Law 105-285. As per the CSBG statute, the SA evaluates the use of funds received by the State to determine compliance with provisions of the statute and the State's assurances of administrative, fiscal, and program operations.

SCOPE OF REVIEW

On May 5, 2014, OCS issued Information Memorandum (IM) 134, explaining that DCA would conduct an on-site monitoring visit of California during Federal Fiscal Year (FFY) 2014. OCS

¹ The term "eligible entities" is used throughout this report to refer to non-profit or public agencies that meet the requirements of Section 673(1)(A) and Section 676B of the CSBG Act. Eligible entities include Community Action Agencies and other eligible nonprofit and public agencies designated by the State.

Federal staff conducted the on-site review of the California CSBG and its eligible entities from June 23-27, 2014.

METHODOLOGY

OCS reviewed documented procedures and practices for administrative, fiscal, and programmatic, operations from FY 2011 through FY 2014, and interviewed State officials responsible for administering CSBG.

OCS reviewers:

- Evaluated compliance of State-level assurances, administrative, fiscal, and program requirements;
- Evaluated how the State administered Federal funds in compliance with the CSBG Act, OMB guidance, and other applicable Federal statutes or regulations; and
- Evaluated the effectiveness of the State's monitoring procedures and practices by assessing State efforts and activities with a sample of eligible entities.

II. STATE ASSESSMENT FINDINGS AND RECOMMENDATIONS

OCS found that the State of California was in compliance with the CSBG Act, ACF Terms and Conditions of CSBG, and requirements governing the expenditure of Federal funds. However, OCS identified the following procedural and reporting requirements that need improvement: data collection; monitoring; A-133 single audit submissions; submission of Federal Financial Report (FFR) – OMB SF 425; and corrective action.

Finding One:

CSD does not have consistent instructions and procedures for reporting client characteristic data.

As outlined in CSBG Act Section 678E(a) (2), “...each State shall also include in the report an accounting of the expenditure of funds received by the State through the community services block grant program, including an accounting of funds spent on administrative costs by the State and the eligible entities, and funds spent by eligible entities on the direct delivery of local services and shall include information on the number and characteristics of clients serviced under this subtitle in the State, based on data collected from the eligible entities.”

CSD outlines the reporting requirements for the eligible entities in their CSBG Standard Contract Agreements. The contract agreement also requires National Performance Indicators (NPI) data and Client Characteristic Reports be submitted to CSD semi-annually via spreadsheets sent by email.

Data collection procedures observed by OCS for three eligible entities found there were no instructions and procedures in place to prevent duplicated counts, and in some cases, estimates were used for reporting demographic information. CSD does devote significant resources for training related to reporting NPI data; however, OCS found that CSD does not have consistent, reliable instructions and procedures for the collecting and reporting client characteristic data. OCS found that CSD could not demonstrate reasonable quality assurance was in place to assure all clients served are properly reported or to prevent the potential for duplication of reported data.

Recommendation:

1.1 CSD should review current data collection processes of eligible entities and develop consistent instructions and procedures for the reporting of client characteristic data. These new instructions and procedures should be designed to ensure that the demographic and client characteristic data collected are accurate, reliable and assure an unduplicated count.

CSD Comment:

CSD agrees with this finding. CSD has begun to implement procedures for eligible entities to consistently report client characteristics data.

OCS Response:

OCS accepts CSD’s corrective action to implement procedures to consistently report client characteristics data. OCS considers this issue closed.

Finding Two:

CSD did not conduct a timely monitoring review of a newly designated entity as required by the CSBG Act.

Section 678B(a)(2) of the CSBG Act requires that onsite reviews shall be performed within one year immediately after a newly designated agency receives CSBG funds. OCS found that the State did not conduct a monitoring review of a newly designated entity immediately following the first year of CSBG funding as required by law. During OCS' assessment of State monitoring schedules for FY 2011- FY 2013, it was determined that Project GO, Inc. was scheduled to have their first onsite review in August 2014, although CSBG funds were awarded to the agency in January 2013.

Recommendation:

- 2.1 CSD should establish procedures to comply with Section 678(a)(2) of the CSBG Act and with its operating procedures that require onsite reviews shall be performed within one year immediately after a new eligible entity receives CSBG funding.

CSD Comment:

CSD disagrees with this finding. CSD provided ongoing training and technical assistance of its new provider, Project GO, Inc. through the course of its first year as a community action agency. CSD provided the agency an introduction to contract and program elements and was available for consultation on an, as needed basis, throughout the agency's time as a newly designated community action organization. Further, the degree of compliance is noted as "timely." CSD monitored Project GO, Inc. within 1 year of designation. Earlier on site monitoring would not have allowed for CSD to successfully monitor the progress of the agency, as many items were still being implemented. Therefore, CSD did monitor the agency in accordance with the CSBG Act.

OCS Response:

OCS appreciates the level of assistance and oversight the new agency was provided in their first year as an eligible entity. However, OCS maintains that the State of California was not in full compliance with Section 678B(a)(2) which directs the state to perform a full on site monitoring of each newly designated agency immediately after completion of the first year in which such entity receives funds through the community services block grant program. In our assessment, a year after the completion of the first year does not meet the statutory requirement. OCS recommends that the state establish procedures to comply with Section 678B(a)(2). Due to the infrequent nature of newly established eligible entities, OCS will consider this finding closed, however this may be re-evaluated in future state assessments.

Finding Three:

CSD procedures for eligible entities' compliance with Office of Management and Budget (OMB) A-133 single audit report submission need strengthening.

Guidance from OMB Circular A-133 contains requirements for grantees and pass-through entities in accordance with the Single Audit Act, which cites:

Subpart C Section __.320 requires grantees to submit reports, financial statements, and data collection forms to the Federal Audit Clearinghouse (FAC).

Subpart D Section __.400 requires pass-through entities, among other things, to assure compliance with the provisions of the A-133 guidance. Therefore, the pass-through entity is required not only to ensure completion of the A-133, but submission of the required reports.

OCS found that one eligible entity did not submit the A-133 single audit report to the FAC as required. According to the statute, CSD acts as the pass-through entity for CSBG eligible entities. OCS noted that CSD has a documented process to ensure that eligible entities obtain an A-133 single audit and submit the reports to Audit Operations. However, they were not aware that the eligible entity had not submitted their A-133 single audit report to the FAC.

Recommendation:

- 3.1 CSD should require that when eligible entities submit their A-133 audits to CSD, they also include their FAC data collection form in the same submission.

CSD Comment:

CSD disagrees with this finding. CSD has adequate procedures to ensure receipt, review and response for single audits submitted to CSD, and disagrees that the OMB regulations applicable to the 2014 contracts or the current Code of Federal Regulation (CFR) require verification that agencies submit audits to the Federal Audit Clearinghouse (FAC).

CSD reviewed OMB A-133 and Super Circular regulations pertaining to the OCS finding. The regulation referenced by OCS, (OMB 133 subpart d, section 400) does not specifically address the requirement that a pass-through entity verify an audit was submitted to the FAC. The OCS has interpreted this section too broadly, as the referenced section requires the pass-through entity advise a sub-recipient of federal laws, which CSD already does through its grant agreements. Furthermore, CSD now verifies completion of a management decision within six months of the FAC date.

OCS Response:

OCS does not concur with the CSD position. The regulation referenced by OCS, OMB A-133 subpart d, section 400, requires grantees to submit the forms through FAC. The other regulation reference by OCS, OMB A-133 subpart c section 320, requires the state acting as a pass-through

agency to assure that the grantee complies with all provisions of OMB A-133 requirements for audits of federal funds.²

Subsequent to the completion of OCS fieldwork, states are now required to submit an annual report that includes the dates of each sub-recipient audit submission to FAC date. Due to this new requirement, OCS will consider this issue closed.

Finding Four:

CSD did not submit the FFR - OMB Standard Form (SF) 425 in a timely manner per the Federal statute.

OCS was able to review a copy of the State’s policy regarding submission of the FFR using OMB SF 425 in accordance with 45 CFR §92.40, §92.41, and §96.30(b)(4), respectively. OCS reviewed the FFR submissions from reporting periods FY 2011 – FY 2013. It was noted that the final FFR for FY 2011 was submitted after the 90 days as required per the Federal statute. The subsequent FFR submissions for FY 2012 and FY 2013 were submitted prior to the 90 day deadline.

Recommendation:

- 4.1 CSD must ensure timely submission of all FFRs using OMB SF 425 as required by the Federal statute.

CSD Comment:

CSD agrees with the finding. Since the completion of the review in 2014, CSD has submitted the SF-425 timely and will continue to do so in the future.

OCS Response:

OCS accepts CSD’s corrective action in complying with 45 CFR §92.40, §92.41 – timely submission of the FFR’s. OCS considers this issue closed.

Finding Five:

Lack of procedures for establishing definite time frames for corrective action

Section 678C requires 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;

² Subsequent to the period tested, OMB issued new guidance referred to as the Uniform Administrative Guidance. Within the Uniform Administrative Guidance 2 CFR 500.12(d) which requires the auditee to submit audits electronically to the FAC. 2 CFR 200.331(f) requires the pass through to verify that every sub-recipient is audited if required by subpart F – Audit Requirements.

- (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; or
- (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 found that CSD has not established definitive time frames for corrective action when an entity has repeatedly not met State and Federal requirements. In CSD's monitoring findings of one public eligible entity, it has had long-standing noncompliance (since 2011) with the requirement for public organizations to administer CSBG through a tripartite Board. OCS observed that CSD monitored this finding closely and offered Training and Technical Assistance (T/TA) to the eligible entity staff on strategies to attract and maintain Board members, and by requiring a monthly written status report describing the organization's efforts and progress in filling the Board vacancies identified.

Recommendation:

- 5.1 CSD should establish definitive time frames for corrective action for eligible entities that have long standing issues of non-compliance with State and Federal requirements.
- 5.2 CSD should take the appropriate action within the requirements of Section 678C when eligible entities repeatedly fail to correct findings or deficiencies within established time frames.

CSD Comment:

CSD agrees with the finding. CSD has begun to augment its monitoring procedures to create definite time frames for corrective action plans.

OCS Response:

OCS accepts CSD's action to establish corrective action time frames for eligible entities that have long standing issues of non-compliance with State and Federal regulations. OCS considers this issue closed.

III. CALIFORNIA STATE ASSESSMENT

With the exception of the findings noted above, OCS found, based on available information that the State of California was in compliance with the CSBG Act, HHS/ACF Terms and Conditions, and statutory and Federal requirements governing the expenditure of Federal funds. OCS has noted other recommended areas for potential improvement in the efficiency of funding reimbursement and management of indirect funds in the relevant sections below.

ADMINISTRATIVE OPERATIONS

Designation of Lead Agency

Section 676(a) of the CSBG statute requires each State to designate a lead agency to administer CSBG. The lead agency shall develop the State Plan, hold public and legislative hearings, and provide oversight of the eligible entities.

The Governor of California designated CSD as the lead agency for the administration of CSBG.

Public/Legislative Hearings

Section 676(a)(2)(B) requires a public hearing with, among other provisions, sufficient time for public comment, and Section 676(a)(3) states that in order to be eligible to receive a grant or allotment the State shall hold at least one legislative hearing every three years in conjunction with the State Plan.

The State of California held the public hearing for the FY 2012 – 2013 State Plan on August 16, 2011. However, OCS identified inconsistencies in the narrative of the State Plan and the actual newspaper publication dates of the public notice. The narrative of the State Plan indicates the public notice was distributed on July 15, 2011 via the CSD website. According to a Declaration of Publication from The Sacramento Bee, the declaration was signed on August 5, 2011. There was no documentation provided to verify that the State Plan was published on the CSD website for the dates indicated. However, based on available information, OCS determined that the State did give the public sufficient time to comment on the proposed use and distribution of funds prior to the submission of their plan to OCS on September 1, 2011.

State Application and Plan

Section 676(a)(2)(A) requires that at the beginning of each award period, a State must prepare and submit an application and State Plan.

OCS reviewers noted that the California CSBG State Plan and Application for FFYs 2012 and 2013 was submitted on September 1, 2011. The State Plan identified the State CSBG Official and State Program contacts, Letter of Transmittal to OCS, the Executive Summary, Statement of Federal and CSBG Assurances and how they would be addressed, the Narrative Plan and how it will be applied, and supporting documentation. A review of the State Plan and Application by OCS determined that all required components and objectives were completed, and the Plan and Application were accepted.

Community Action Plan and Community Needs Assessment

Section 676(11) requires that the State will secure from each eligible entity in the State, a Community Action Plan that includes a Community Needs Assessment (CNA) for the community served, which may be coordinated with the CNA conducted for other programs.

Through interviews with staff, OCS reviewers determined that CSD requires eligible entities to include the CNA in their Community Action Plans, which are submitted on June 30th, every two years. Through the CNA, eligible entities are able to assess local poverty needs, and identify and prioritize activities to utilize CSBG funds. OCS observed the CNAs from three eligible entities. Some of the existing programs and services that were available to the community included child care programs, elderly housing, and low income assistance. These programs were consistent with the CNAs outlined in the Community Action Plans of the eligible entities. OCS found that CSD has established procedures in place to assist eligible entities in developing effective CNAs in the Community Action Plans for addressing the needs of the community and its residents.

Administrative and Discretionary Use of Funds

Section 675C(1)a-h requires that if a State uses less than 100 percent of the grant or allotment received under Section 675A or 675B “that State shall use the remainder of the grant or allotment for activities.” Section 675C (2) requires that no State may spend more than the greater of \$55,000, or five percent, of the grant received under Section 675(B) for administrative expenses, including monitoring activities.

In FY 2012, CSD expended \$2,817,607 (five percent) of the CSBG for administrative costs. These costs consist of: salaries and wages, fringe benefits, operating expenses, equipment, out-of-state travel, contract and consultant services, and other costs. In addition to the costs of monitoring eligible entities, administrative costs are used for processing eligible entity costs in the Electronic Expenditure Activity Report System (EARS), distributing funds to the eligible entities, and recording the eligible entity transactions in CALSTARS, the state’s electronic general ledger. A current sample was reviewed in the amount of \$6,173 from FY 2014. OCS verified that the funds were entered in the EARS system for approval and were expended in CALSTARS.

In FY 2012, CSD expended \$3,005,694 (five percent) of the CSBG for discretionary funds. From the amount set aside for discretionary funds, CSD expended \$432,761 to support Limited Purpose Agencies (LPAs), which are non-profit organizations or public agencies that receive direct Federal funding. They provide services with a specific focus on training, technical assistance, special support programs, or other activities serving eligible beneficiaries. From interviews with the Field Operations staff, for a subgrantee to receive discretionary funds they have to show continuous effort that they can sustain the funding after they have received it. The Field Operations staff monitors the subgrantees to ensure compliance with the contract agreement. OCS reviewers looked at a sample contract agreement which outlined the expectations for the recipient of discretionary funds. OCS verified the FY 2012 discretionary funds expended through CALSTARS from October 2011 – September 2012.

OCS reviewers determined CSD is in compliance with spending limitations for administrative and discretionary funds.

The chart below shows administrative and discretionary costs for California in FY 2012.

FY 2012 CSBG Funds: California		
Uses of Funds	Amount Expended	Expended Percent (%) of Total CSBG Allocation
Administrative Costs	\$3,005,694	5%
Discretionary Funds	\$2,817,607	5%
Total Expended in FY 2012	\$5,823,301	10%

** Source: 2012 Report – CALSTARS

Monitoring

Section 678B(a) requires that “States monitor eligible entities 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 review 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; and 3) follow-up reviews to eligible entities that fail to meet the goals, standards, and requirements established by the State”.

CSD conducts onsite monitoring every three years. Annually, CSD staff complete a pre-monitoring assessment review in the following areas: board governance, as well as administrative, fiscal and programmatic performance. The result of the assessment is used to identify the scope of the review and prioritize the monitoring schedule.

For eligible entities not selected for a full onsite monitoring review, CSD conducts an annual desk review. The desk review includes an evaluation of the board, and programmatic and fiscal performance.

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 entity to identify T/TA needs that will assist in the enhancement of the administration of CSBG.

Following the onsite and desk reviews, written monitoring reports are issued to identify findings (if applicable), T/TA needs, and best practices. Findings are generally monitored closely to ensure the eligible entity implements the required corrective action. In addition, if T/TA is required, CSD has a partnership with California/Nevada Community Action Partnership (Cal/Neva), whom coordinates this service.

OCS reviewed the following documentation:

- FY 2011 and FY 2012 Onsite monitoring reports and follow-up letters for sample entities;
- FY 2011 and FY 2012 monitoring schedules for onsite and desk reviews; and
- FY 2011 and FY 2012 State-sponsored Cal/Neva Training schedules.

OCS verified that CSD has a sufficient monitoring process in place according to Section 678B(a)(2) of the CSBG Act. However, OCS did identify a finding regarding CSD’s monitoring efforts for a newly designated agency with CSBG funding (*see detailed finding number 2 on pages 3-4*).

The following table illustrates California’s On-Site Monitoring Schedule of eligible entities during FY 2011 – FY 2012.

California Monitoring Schedule		
Agency Name	On-site Visits	Counties Served
Community Action Partnership of Riverside CA	5/2-5/4/12	Riverside
Nevada County DHCS	5/8-5/10/12	Nevada
County of San Diego HHS	5/23-5/25/12	San Diego
Sutter County Community Action	6/4-6/5/12	Sutter
Yuba County Community Action Agency	6/6-6/7/12	Yuba
Community Action Partnership of San Bernardino	6/20-6/22/12	San Bernardino
Community Action Marin	6/26-6/28/12	Marin
Economic Opportunity Council of San Francisco	6/27-6/29/12	San Francisco
El Dorado County Dept. Human Services	7/25-7/27/12	Alpine / El Dorado
Los Angeles City/County Native America Indian Commission	7/25-7/27/12	Los Angeles
San Joaquin Dept. of Aging, Children and Community Services	8/1-8/3/12	San Joaquin
Fresno County Economic Opportunity Commission	8/8-8/10/12	Fresno
Community Action Partnership of San Luis Obispo County	8/15-8/17/12	San Luis Obispo
Inyo Mono Advocates for Community Action	8/15-8/17/12	Alpine, Inyo, Mono
Del Norte Senior Center	8/21-8/23/12	Crescent City
County of Placer Dept. of Health and Human Services	9/5-9/7/12	Placer
Sacramento Employment and Training Agency	9/5-9/7/12	Sacramento
Modoc-Siskiyou Community Action Agency	9/26-9/28/12	Modoc, Siskiyou
Shasta County Community Action Agency	9/26-9/28/12	Shasta
Center for Employment and Training	9/26-9/28/12	Tulare

Training and Technical Assistance

Section 675C(b)(1)(A) allows States to use CSBG funds to, among other things, “provide training and technical assistance to those entities in need of such training and assistance.” Additionally Sec. 678C(a)(3) indicates States shall offer training and technical assistance, if appropriate, to help correct eligible entity deficiencies.

CSD provides T/TA on an as-needed basis to eligible entities in the areas of fiscal and programmatic operations. T/TA is also administered to the eligible entities through a partnership CSD has with California Community Action Partnership Association (CALCAPA). CalCAPA; whom provides T/TA in ten core-capacity subject areas: History and Philosophy of Community

Action, Board Governance, Leadership and Administration, Planning and Assessments, Evaluations, Partnerships, ROMA, Financial Accountability, Program Delivery, and Capacity Building for Rural CSBG Entities.

OCS was able to review documentation and determine that sufficient T/TA was provided to the eligible entities by CSD.

Corrective Action, Termination, and Reduction

Section 678C requires 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.”

CSD has effective procedures and forms in place to inform entities of any deficiencies, require correction of the deficiencies and offer T/TA, if appropriate, to help correct the deficiencies. OCS interviewed CSD staff and noted that the Field Operations Unit will confer with the Audits Unit on receipt of recent audit reports to find out if there are fiscal findings that require corrective action. The Field Operations Unit also performs follow-up with the Audit Unit to make sure that any existing corrective actions have been resolved.

OCS observed that CSD has not required definitive time frames for corrective action when an entity has continuously not met the State and Federal requirement (*see detailed finding number 5 on page 5*).

FINANCIAL OPERATIONS

Fiscal Controls and Audits

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 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 reviewed the process for providing CSBG funds to eligible entities and the accounting for those finds in FY 2012 and FY 2013. OCS found that the State retained supporting documentation

for CSBG funds provided to eligible entities and transactions were properly recorded in CALSTARS, the state general ledger.

OCS reviewed a sample of transactions charged to CSBG for state administrative and discretionary costs for the period under review. We noted that the costs were properly supported, accurately recorded, and for a purpose in accordance with the CSBG statute. Costs charged to CSBG for the state portion of administrative and discretionary spending, are to be incurred and accounted for in a manner consistent with the spending of state funds, we believe these funds were treated as such.

The Cash Management Improvement Act of 1990 (P.L. 101-453) states “Each head of an executive agency...shall, under such regulations as the Secretary of the Treasury shall prescribe, provide for the timely disbursement of Federal funds through cash, checks, electronic funds transfer, or any other means identified by the Secretary.”

The Code of Federal Regulations 31 CFR § 205.11 states: “A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.”

OCS tested the length of time between the drawdown of CSBG funds and the receipt of cash by the eligible entities. On average, the length of time from the drawdown of cash by the state until receipt by the entity was between 17 and 18 days.

Though it is not considered a finding for CSBG, OCS recommends that CSD work with the State Controllers Office (SCO) to reduce the time between when the actual draw down occurs from the PMS Federal system to when the receipt of cash by the eligible entity. OCS recommends the consideration of electronic funds transfer to increase the efficiency of reimbursement payments. Alternatively, the state may wish to consider waiting until the funds are ready to be transmitted before initiating the drawdown from the PMS Federal system.

Audits

According to 45 CFR §96.31, grantees and subgrantees are responsible for obtaining audits in accordance with OMB Circular A-133, “*Audits of State, Local Governments, and Non-Profit Organizations.*” Agencies expending \$500,000 or more of Federal funds in any year must contract with an independent auditor to review their financial statements and Federal expenditures. Section 678D(a)(b) requires the State to establish fiscal control and fund accounting procedures necessary to assure the proper disbursal of and accounting for Federal funds paid to the State ... including procedures for monitoring the funds provided under this subtitle. 45 CFR §96.31 requires that appropriate corrective action is taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations.

State Compliance with OMB Circular A-133

OCS reviewed the A-133 audits from FY 2012 and FY 2013 of the CSD. It was determined that CSD had no findings to report during these reporting periods, and was in compliance under OMB Circular A-133.

State Monitoring - Eligible Entity Compliance with OMB Circular A- 133

CSD has a robust process to assure that eligible entities obtain an A-133 audit report and submit the report to the State, but assurance of report submission to the Federal Audit Clearinghouse (FAC) needs to be strengthened (*see detailed finding number 3 on page 4*).

Recapture and Redistribution of Unobligated Funds

Section 675C(a)(3) of the CSBG Act permits States the discretion to recapture and redistribute unobligated funds in excess of 20 percent of the amount distributed to an eligible entity to another eligible entity or to a private nonprofit organization. However, since 2001, Congressional Appropriation language has provided instruction that supersedes the language in the enabling legislation. Currently, States must comply with annual appropriation instructions requiring that, “to the extent Community Services Block Grant funds are distributed as grants by a State to eligible entities provided under the Act, and have not been expended by such entity, the funds shall remain with such entity for carryover into the next fiscal year for expenditure by such entity for program purposes.”

OCS observed the policy of CSD which obligates CSBG funds to CSBG eligible entities on the first day of the State Program Year (or contract term) which runs on a calendar year. When a CSBG eligible entity determines it cannot expend all of their funds by the end of the 12-month contract term, they can request an amendment to extend their contract term. This will allow CSBG eligible entities to fully spend their contract allocation and provide the services that benefit the community they serve. In the periods under review, CSBG funds remained with the eligible entity as required.

State Carryover Requirements

The California State Manual (SAM) under Budgeting, section – Detail of Appropriations and Adjustments – 6478, Part 6: Special Appropriation notes the continued availability of funds. Further stating in a fiscal year subsequent to the fiscal year of enactment is a carryover and will show under prior year balances available for the following fiscal year.

OCS observed that CSD had a carryover balance of \$1.375M from the FY 2012 grant period which still had unobligated funds in FY 2014. CSD provided financial documentation via CALSTARS that the \$1.375M represents unspent earmarked funds for State operation activities which include, but are not limited to, staff salaries and benefits, travel expenses, general and office supplies. CSD also provided the documentation from the Office of Grants Management (OGM) that granted an extension until September 30, 2015 to spend the FY 2012 funds. OCS concludes that CSD adheres to their State policy and Federal guidelines for expending CSBG carryover funds.

Federal Financial Report

45 CFR §92.40, §92.41, and §96.30(b)(4), respectively, the grantee shall submit annual program progress and FFR using OMB Standard Form 425. The FFRs are due within 90 days of the close of the applicable statutory grant periods. Failure to submit reports on time may be the basis for withholding financial assistance payments, suspension, or termination of funding.

CSD had a finding regarding submissions of the FFR (*see detailed finding number 4 on pages 4 and 5*).

PROGRAM OPERATIONS

Use of Ninety Percent Funds

Section 672. The purposes and goals of CSBG are to provide assistance to States and local communities working through a network of CAAs and other neighborhood organizations, 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 675C requires that not less than 90 percent of the funds made available to a State shall be used by the State to make grants for the purposes described in Section 672 to eligible entities.

CSD allocated 90 percent of funds to be expended among ten program areas for FY 2012 in the amount of \$55,860,447. The following table below illustrates the breakout and the actual amounts expended for each program area.

FY 2012 CSBG Use of Funds: California		
Programs	Amount Expended	Program Goals for Low-Income Families and Individuals
Employment	\$8,013,442	Low-income participants who obtain employment and maintain employment, or become self-employed.
Education	\$11,722,706	Educational services provided for children and adults.
Housing	\$3,570,184	Housing services provided to improve living environment.
Emergency Service	\$9,881,183	Services provided for emergency services and crisis intervention.
Nutrition	\$3,811,227	Nutrition services provided to low-income individuals and families.
Health	\$4,790,145	Health care services made accessible to low-income families and individuals.
Self-Sufficiency	\$5,570,248	Services provided to assist low-income in gaining or increasing economic security.
Linkages	\$4,423,077	Activities that "Link" community members, groups, government, and commercial organizations that serve low-income communities.
Income Management	\$2,351,077	Income management services provide to low-income families and individuals.
Other	\$1,727,158	
Total FY 2012 Expenditures	\$55,860,447	

**Source: 2012 CBSG IS Survey data

Tripartite Boards

Section 676B requires that members are chosen in accordance with democratic selection procedures to assure that 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, implementation, and evaluation of the program to serve low-income communities.

CSD has procedures in place to assure that the eligible entities comply with the statutory and Federal requirements for Tripartite Boards, including selection and composition of the Boards.

OCS reviewed a collective sample of Community Action Plans and monitoring reports for eligible entities from FY 2011 through FY 2013. OCS also interviewed the staff responsible for conducting the reviews to determine how CSD assures eligible entities adhere to the statutory and Federal requirements for Tripartite Boards. OCS determined that CSD reviews board compliance by reviewing the following materials:

- Review Board roster and sector of each board member;
- Review of Current by-laws; and
- Review of Board Minutes for regularly scheduled meetings.

However, OCS did note a finding with Tripartite Board compliance of an eligible entity (*see detailed finding number 5 on page 5*).

Accountability and Reporting Requirements

Section 678E(a) states that each State that receives funds shall participate in a performance measurement system and ensure that all eligible entities in the State participate. Since 2001, Section 676(b)(12) requires States to participate in Results-Oriented Management and Accountability System (ROMA) or an alternative system for measuring results in a similar manner. Each State shall prepare an annual report on the measured performance of the State and the eligible entities in the State. Annual reports must include an accounting of funds spent on administrative costs by the State and the eligible entities, funds spent by eligible entities on the direct delivery of local services, information on the number of and characteristics of clients served, and a description of the T/TA provided by the State.

Annual Report

Section 678E(2) requires that each State shall annually prepare and submit to the Secretary a report on the measured performance of the State and the eligible entities in the State. In accordance with OCS IM 133, the Annual Report must be submitted to OCS by March 31, 2014 for FY 2013 activities. The Annual Report should describe how the State and the eligible entities met its goals and objectives, as well as provide information on the types of projects supported with FY 2013 CSBG funds. The Annual Report must contain performance measurement outcome data which address the implementation of the national goals and measures.

CSD provided documentation of Information Survey (IS) data submitted to OCS. OCS reviewed the documentation and confirmed that CSD submitted their annual report within the deadline. However for future reporting, CSD must also provide a copy of annual reporting information directly to OCS in order to comply with annual reporting requirements outlined in the CSBG Act.

Limitation on Use of Funds

Per Section 678F, grants may not be used by the State or by any other person for the purchase or improvement of land, or the purchase, construction, or permanent improvement of any building or other facility.

OCS interviewed California staff, reviewed financial reports (general ledger, invoices, etc.) and programmatic data for FY 2012. CSD has provided reasonable assurance of compliance with Section 678F of the CSBG Act.

Child Support Services

Per Section 678G(b), during each fiscal year for which an eligible entity receives a grant such entity shall: (1) inform custodial parents in single-parent families that participate in programs, activities, or services about the availability of child support services; and (2) refer eligible parents to the child support offices of State and local governments.

OCS determined through interviews of CSD staff and review of available documentation that adequate procedures are in place to meet this requirement.

CONCLUSION

OCS would like to thank CSD staff, and the eligible entities visited for their cooperation and assistance during the SA of California. This report is considered final. If you have any questions or concerns, please contact:

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APPENDICES

ELIGIBLE ENTITIES (AT-A-GLANCE) SITE VISIT

Sacramento Employment & Training Agency (SETA)

The Sacramento Employment and Training Agency (SETA), a joint powers agency of the City and County of Sacramento, was formed in 1978. SETA is the designated Community Action Agency for Sacramento County for the provision of CSBG services. The program operates through neighborhood-based organizations that provide resources and services to produce measurable impacts on the causes and symptoms of poverty experienced by challenged families and communities. CSBG provides a range of services to assist low-income people in attaining the skills, knowledge, and motivation necessary to achieve self-sufficiency. The program also provides low-income people with immediate life necessities such as emergency food, shelter, transportation, and access to available community resources. In Sacramento County, programs funded through CSBG strive to eliminate the conditions of poverty affecting the county's low-income residents. They provide case management, emergency shelter, transportation, emergency food, and counseling services for at-risk youth, frail elderly, disabled persons, low-income families, and the homeless. Only Sacramento County residents that meet federal poverty income guidelines or are recipients of TANF or SSI are eligible for CSBG services. In FY 2012, SETA's CSBG allocation totaled \$1,551,005. According to the CSD demographic report, in FY 2012 SETA served 10,186 individuals and 7,713 families.

Economic Opportunity Council of San Francisco (EOC)

The Economic Opportunity Council of San Francisco (EOC) is a private, nonprofit corporation and was designated by the Board of Supervisors to operate the Community Services Block Grant Program. It operates child care programs for 325 children on a year round basis and offers a preschool program for children during the school year providing a compensatory educational experience. The program offers nutritious supplemental foods to low-income women during pregnancy and for 12 months postpartum, for their infants and children up to age six years who are not eligible for the Women, Infants and Children (WIC) program. Foods such as infant formula, non-fat dry milk, egg mix, cereal, peanut butter, canned meat, vegetables, fruit and fruit juices are available monthly at five distribution sites throughout the city. The program also serves eligible seniors, 60 years of age or over, with the same types of commodity foods. The office is equipped to respond to a number of languages to include: Cantonese, Mandarin, Portuguese, Russian, Spanish, and Tagalog. EOC also administers LIHEAP, offering assistance to offset the costs of heating and/or cooling dwellings and/or having a dwelling weatherized to make it more energy efficient. The FY 2012 CSBG allocation for EOC totaled \$790,978.

Project GO, Inc. (PGI)

Project GO, Inc. (PGI) is a non-profit community action organization that advocates for and enhances the quality of life of low- to moderate-income and at-risk families and seniors by providing them with affordable housing, energy conservation and emergency assistance. PGI's mission is to develop, build and manage affordable housing; improve home energy conservation; and provide emergency energy assistance. PGI is responsible for the weatherization and installation of energy conservation measures for more than 350 homes annually. Since the inception of PGI, the

agency has provided energy conservation measures to approximately 39,500 low-income households in the five-county surrounding area. Project GO was designated as an eligible entity in January 2013. The FY 2014 CSBG award for Project GO was \$310,761.

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Eligible Entities

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Sacramento, CA
Economic Opportunity Council of San Francisco, San
Francisco, CA
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