



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

Community Services Block Grant

Indiana State Assessment

On-Site Review

FINAL

July 18, 2016 - July 22, 2016

Indiana 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 – 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 Indiana designated the Indiana Housing and Community Development Authority (IHCD) as the appropriate lead agency for the administration of CSBG. The State of Indiana CSBG provides funding, technical assistance, and support to 23 eligible entities. Together the agencies provide an array of services within the State of Indiana 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.

The information contained in this report was compiled during a State Assessment (SA) of Indiana’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

SA’s 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 (Section 678B(c)). As per the CSBG statute, the SA 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 federal staff conducted the on-site review of the Indiana’s CSBG and its eligible entities from July 18, 2016 through July 22, 2016. The scope of review included Fiscal Years (FY) 2014 and 2015 grants.

METHODOLOGY

OCS reviewed documented procedures and practices for administrative, fiscal, and program operations and interviewed Indiana 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.

II. Indiana State Assessment Finding and Required Action

OCS identified an issue of non-compliance in Indiana's CSBG fiscal operations.

FISCAL OPERATIONS REQUIREMENTS

Section 678D and 45 C.F.R. § 96.30(a) require states to maintain fiscal control and accounting procedures. Except where otherwise required by federal law or regulation, a state shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to: (a) permit preparation of reports required by the statute, and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

Issue(s) of non-compliance

IHCDA received CSBG funds of \$9,679,346 in FY 2014. In order to determine allowability and allocability of federal funds, OCS tested FY 2014 program, administrative and discretionary transactions; compared the sampled transactions against the general ledger; request for payment, accounting revenue and receipts, and disbursement documentation provided by the state. OCS identified an issue of non-compliance with respect to the preparation and submission of Federal Financial Report (FFR) Standard Form (SF) 425.

Under the terms and conditions of the CSBG award, grantees are required to file annual FFRs; the deadline for submitting the reports is 90 days after the end of each fiscal year (i.e., by December 30). The financial reports must be submitted electronically through the On-Line Data Collection (OLDC) system. By acceptance of the award, each grantee agrees to comply with the requirements; failure to comply may result in loss of federal funds and may be considered grounds for the suspension or termination of the grant.

OCS found that IHCDA did not have a process in place to ensure the FFRs (SF 425) were properly completed and submitted within 90 days, as required. IHCDA explained that the department experienced staff turnover, and new staff was unaware of the process for completing and submitting the financial reports.

For FY 2014 and FY 2015, IHCDA submitted the final FY 2014 financial report and the annual FY 2015 report six months after the required deadline date. OCS also noted that the FY 2014 FFR had incorrect total amounts reported on the line item for: Federal Cash and Federal Expenditures. During the SA, IHCDA was made aware of the reporting errors and assured OCS that the financial reports would be corrected and uploaded into the ACF OLDC system.

Required Action

- Required Action 1: IHCDA formalize written procedures for staff regarding the preparation and submission of the FFRs. For programs with awards issued on a federal fiscal year basis, the deadline for submission through the required on line reporting system is 90 days after the end of each fiscal year.

IHCDA Response:

IHCDA has completed the required action. IHCDA formalized written procedures for the fiscal staff regarding the preparation and submission of the FFRs, as well as the program staff who upload the data and submit the FFR reports.

OCS Response:

OCS agrees with the corrective action taken by IHCDA and considers the required action closed.

III. Indiana State Assessment

ADMINISTRATIVE OPERATIONS

Administrative and Discretionary Use of Funds

Section 675C(2) Administrative Cap requires that 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

IHCDA's administrative funds were used to support rent, facility costs, general and administrative expenses, other administrative activities which include membership fees for National Association of State Community Service Programs (NASCS), and programmatic integrations associated with technology. OCS determined that expenses were properly supported and entered in the general ledger to track funds within the department.

Discretionary Funds

IHCDA discretionary funds were used to support community and neighborhood based initiatives, along with offering training and technical assistance (T/TA) activities. OCS determined that expenses were properly supported and entered in the general ledger to track funds within the department.

Community Action Plan and Community Needs Assessment

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

OCS found that IHCDA had procedures and practices in place to ensure that the eligible entities accurately address the needs of the community and its residents.

IHCDA requires each eligible entity develop a Grantee Plan Packet (GPP) that includes a Community Needs Assessment. The GPP serves as the basis for the annual CSBG application, providing quantitative and qualitative data for the agency's use in developing short- and long-term strategies to meet the needs of the area served. In July 2015, IHCDA reformatted the GPP to ensure compliance with Information Memorandum (IM) 138 *State Establishment of Organizational Standards*.

IHCDA requires the GPP to be updated annually and the Community Needs Assessment submitted at least once every three years. Each entity's GPP Community Needs Assessment identified the causes of poverty within the service area, top community needs by clients served, and prioritized

new and emerging needs for the targeted populations. Each GPP outlined specific programs geared to address the specific needs within the community.

Monitoring Eligible Entities

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.

OCS found that IHCDCA performed the required monitoring reviews in accordance with the CSBG Act. IHCDCA performs a Comprehensive Administrative Review (CAR) of its entities every two years. The reviews are conducted by the IHCDCA program monitor and a fiscal monitoring service subcontractor. The IHCDCA program monitor serves as the point of contact and oversees the CAR process, the fiscal monitoring subcontractor is responsible for reviewing fiscal operations, and compliance with organizational standards metric.

The CAR monitoring tool is separated into two parts: Organizational Management – which evaluates the entities operational performance based on the organizational standards (IM 138); and organizational analysis, which evaluates fiscal/accounting operations of CSBG.

The CAR tool assigns a value to each part of the review which allows the monitor to apply an overall performance score as a part of the final report. Each entity is required to meet or exceed 90 percent compliance for its overall performance score.

OCS reviewed monitoring reports completed from FY 2014 – FY 2016. The monitoring reports and discussions with the entities during the eligible entities site visits showed that IHCDCA performs comprehensive program and fiscal reviews which incorporates a “whole agency” approach centered on collaboration and communication. Each report addressed the CSBG program areas; including Tripartite Board, organizational standards (IM 138), and the overall financial health of the entity.

Training and Technical Assistance

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

In accordance with 675C(b)(1)(A), IHCDCA provided documentation to show T/TA was provided to its eligible entities. IHCDCA entered into a contract with the Indiana Community Action Association (INCAA) to provide T/TA. INCAA provides T/TA in response to monitoring reports as well as quality improvement and corrective action plans, and to support Results Oriented Management and Accountability (ROMA), board training, and statewide conferences.

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.

IHCDA procedures incorporate IM 116 as guidance for *Corrective Action, Termination, or Reduction of Funding*. The comprehensive assessment review tool follows actions steps outlined in the IM based upon deficiencies identified during the monitoring process.

As a part of the monitoring process, a Required Action Plan (RAP) (also called a technical assistance plan) is prepared to address and resolve each deficiency in the comprehensive assessment report and provide a timeline for implementation or correcting each deficiency. If IHCDA finds that the RAP does not effectively resolve the deficiencies, IHCDA may determine that additional monitoring is required and the entity is eligible for a Modified Quality Improvement Plan (MQIP) or Quality Improvement Plan (QIP).

The QIP (formerly called Corrective Action Plan) is often financial in nature, triggered by substantial changes in the entities fiscal health. IHCDA's process for assisting an eligible entity on a QIP follows the guidance set forth in IM 116. The procedures require official notice to HHS of any entity placed on a QIP, and that IHCDA track progress on correcting deficiencies, training and technical assistance provided during the process.

OCS found IHCDA complied with the corrective action and termination procedures with respect to monitoring, training and technical assistance, and providing the opportunity for a hearing.

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 controls 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 found that fiscal controls and accounting procedures were in place and, sufficient to 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 and in accordance with federal regulations.

For FY 2014, IHCDA received \$9,679,346 for CSBG. In order to determine allowability and allocability of Federal funds, OCS verified a sample of FY 2014 general ledger transactions. OCS sampled FY 2014 program, administrative and discretionary transactions and compared the sampled transactions against the general ledger, including request for payment, accounting revenue and receipts, and disbursement documentation provided by the state. OCS determined that expenses were properly supported and entered into IHCDA's accounting system used to track funds within the department.

State Carryover Requirements

Under the terms and conditions of the federal grant award, grantees shall adhere to a provision of law under the Consolidated Appropriations Act of 2014 which requires that to the extent CSBG funds are distributed by a state to an eligible entity, and have not been expended by such eligible entity, they shall remain with such eligible entity for carryover and expenditure into the next fiscal year. If CSBG funds are carried forward by such eligible entity into the next fiscal year, those funds must be fully expended and services provided on or before September 30.

OCS found that FY 2014 CSBG funds were expended and services provided on or before September 30, 2015.

Single Audits

As required by 2 CFR § 200.501 of the Uniform guidance and 45 CFR § 75 Subpart F(a) and (b), a non-federal entity that expends \$750,000 (\$500,000 or more in the most recent fiscal years) or more 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.

Indiana State Single Audit

In accordance with 2 CFR § 200 and 45 CFR § 75, IHCDA obtained its single audits for state fiscal year end June 30, 2014. OCS reviewed the single audit to determine whether timely and appropriate corrective action was taken in instances of noncompliance with federal laws and regulations. For the single audit reviewed, OCS determined the state was in compliance with federal regulations governing single audits.

State Monitoring – Eligible Entity Compliance – Single Audit

In accordance with 2 CFR § 200 and 45 CFR § 75, IHCDA has procedures in place to obtain and review single audits annually of its eligible entities. For year end June 30, 2014, OCS determined that IHCDA has sufficient controls in place to monitor their eligible entities' single audits, ensuring they are submitted timely and appropriate corrective action is taken by the state in cases of noncompliance.

PROGRAM OPERATIONS

Use of Ninety (90%) Percent of Funds

Per Section 672, the purpose and goals of CSBG is 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 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.

In FY 2014, IHCD A disbursed approximately 90 percent of CSBG funds to its eligible entities in accordance with Section 672. IHCD A reported providing services to 663,769 low-income individuals in 248,891 families.

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.

OCS reviewers found that IHCD A had procedures in place to assure eligible entities adhere to Section 676B of the statute regarding Tripartite Boards, including selection and composition of the board. The procedures assure that not less than one-third of its members are representatives of low-income sector, one-third of the members are elected public officials and the remaining members are members of business, industry, labor, religious, law enforcement, education, or other major groups interested in the community served. The board members actively participate in the planning, implementation, and evaluation of the program that services their low-income communities.

IHCD A implemented IM 138 organizational standards (Category 5: Board Governance) into its comprehensive assessment review tool. Each eligible entity is assessed based on compliance with the statutory Tripartite Board structure and procedures. IHCD A has a weighted scoring system which allows IHCD A's monitor to apply an overall performance score to the review process.

The comprehensive assessment tool provides guidance (tips, clarifications, statute or best practice information) on how to interpret the standards, as well as how to successfully demonstrate that the agency has met the standard.

ROMA System and Annual Reporting

According to Section 678E(1) and 678E(2), 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 called ROMA. Alternatively, states may design their own similar system.

IHCDA participates in the ROMA system to measure performance and program outcomes, and reports the data to NASCSP for inclusion in their Annual Report. Seven of the 22 agencies within the state use CAPTAIN, an online data management system, to track and report data for ROMA. The remaining agencies use various reporting systems.

IHCDA's Grantee Plan Package (GPP) require the eligible entities develop and implement strategies to measure and record improvements in the condition of low-income people and provide data used to analyze the overall effectiveness of its programs. The eligible entities provide a description of the program services, projected number of clients served, ROMA goals, and the national performance indicators the agency tracks for the CSBG IS report. Each entity must certify that the information is true, correct and accurately reflect revenues, expenses, and services delivered within the grant period.

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. The Annual Report must contain performance measurement outcome data which address the implementation of the national goals and measures.

OCS confirmed that IHCDA submitted their annual report within the established deadline of March 31 for each year reviewed.

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.

IHCDA policy states that eligible entities are prohibited from using CSBG funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement of any building or other facility. OCS found that Indiana was in compliance with Section 678F of the CSBG Act.

Child Support Services

Section 678G(b) requires that 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.

IHCDA procedures require its eligible entities to inform custodial parents in single-parent families about the availability of child support services and refer eligible parents to the child support Enforcement Agency. OCS found that Indiana was in compliance with Section 678G(b) of the CSBG Act.

IV. NEXT STEPS

OCS would like to thank you, the staff, and the eligible entities visited for their cooperation and assistance during the State Assessment of Indiana. OCS agrees with corrective action taken by the IHCD in response to required action and will close the required action. This report is considered final.

If you have any questions or concerns, please contact:

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APPENDIX

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