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

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## **Community Services Block Grant**

**Commonwealth of Massachusetts**

*Monitoring Report*

**FINAL**

**September 10, 2018 – September 14, 2018**

# Commonwealth of Massachusetts Community Services Block Grant

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## I. Executive Summary

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### 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 Massachusetts designated as the appropriate lead agency for the administration of CSBG. The Commonwealth of Massachusetts’ CSBG award provides funding, technical assistance, and support to CSBG projects for twenty-three (23) eligible entities. Together, the agencies provide an array of services within the Commonwealth of Massachusetts to address local area needs. Services may include housing, energy assistance, nutrition, employment and training, as well as transportation, family development, childcare, health care, emergency food and shelter, homelessness initiatives, education reforms, and micro-business development.

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

### STATE ASSESSMENT AUTHORITY

SAs 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 onsite review of the Massachusetts CSBG and its eligible entities from September 10, 2018 through September 14, 2018. The scope period of review includes the fiscal year (FY) 2016 CSBG period of availability, October 1, 2015 through September 30, 2017.

## **METHODOLOGY**

OCS reviewed documented procedures and practices for administrative, fiscal, and program operations and interviewed the Massachusetts Department of Housing & Community Development (MA DHCD) officials responsible for administering CSBG.

OCS staff:

- 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. Commonwealth of Massachusetts State Assessment Finding and Recommendations**

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OCS identified areas of improvement in Massachusetts' CSBG fiscal operations.

### **FINDING 1: PERIOD OF AVAILABILITY**

MA DHCD uses the Massachusetts Management Accounting Reporting System (MMARs) as the financial and accounting system of record to account for recording financial transactions, including program claim reimbursement payments. For the FY 2016 CSBG award, MA DHCD received a total of \$17,479,391.

In samples reviewed by OCS, the support shows that current year CSBG expenditures are automatically applied to the oldest available CSBG award in the HHS Payment Management System (PMS). The PMS drawdown of prior year federal awards is commonly referred to as the "first-in, first-out" (FIFO) practice. MA DHCD provides all CSBG funds to eligible entities in advance and distributes the funds in full throughout each federal fiscal year. Therefore, the only funds remaining in PMS at the end of the fiscal year are unspent state monies, representing the state portion of CSBG funds.

OCS found that at the end of first year of the two-year award, September 30, 2016, after all the payments and related drawdowns were made for the eligible entities, Massachusetts had more than \$2.7 million remaining in PMS, which exceeds the 10 percent of the award that Massachusetts is allocated for administrative and discretionary CSBG spending. OCS determined that the process of drawing the oldest funds first without regard to the purpose is an internal control weakness. MA DHCD provided these funds to the eligible entities in the first part of the subsequent year. However, Massachusetts' process of providing advances and full funding to the agencies significantly reduces the exposure of this control weakness.

### **Other Expenditures**

OCS noted two instances of indirect costs that are considered questioned costs. The questioned costs were indirect costs charged to subsequent awards. Federal funds cannot be used to pay prior period expenses. OCS considers Massachusetts' practice of drawing the oldest funds first without regard to the allocated amounts to be an internal control weakness. This practice meant that unspent state CSBG funds were not available at the time to pay the allocated indirect costs that were calculated after the end of the funding period.

**Required Action(s):**

To correct Finding 1, Massachusetts must:

- 1.1. Submit a Corrective Action Plan that includes:
  - Documentation of unspent Massachusetts CSBG monies and adjustment in PMS for each period;
  - Adjustment of MMARS to meet at least the minimum standards of 45 CFR § 96.30 to assure MMARS has controls in place to account for sources and uses of funds for each authorized CSBG award; and
  - Establishment of an estimated date for Massachusetts to implement plans to make appropriate adjustments in MMARS to account for proper drawdowns and carry forward amounts under the period of availability for each CSBG award. OCS recommends starting with the current FY 2018 CSBG award and then making adjustments to the 2017, 2016, and 2015 CSBG awards. OCS believes this tracking mechanism will delineate between the allocation of grant award year and the costs expensed during the period of availability.
- 1.2. Make appropriate adjustments to account for the two questioned costs identified under Finding 1 Other Expenditures, subject to adequate support and approval of the ACF Office of Grants Management (OGM).
- 1.3. Implement internal control processes and procedures to ensure all obligations incurred under the federal award are liquidated no later than 90 days after the end of the funding period of availability.

**Recommended Action(s):**

- 1.1. **Opportunities for Improvement:** In order to assure compliance with the 45 CFR § 75.309(a)(b), OCS recommends that the Massachusetts develop a time-tracking mechanism to properly account for incurred charges expensed to the grant awards based on the appropriate grant period of availability.

**MA DHCD Response:**

- 1.1 (1) Each federal fiscal year has a separate subaccount in PMS. MA DHCD will create a subaccount in MMARS to align with the PMS subaccounts.
- 1.1 (2) MMARS is a state mandated, boilerplate computer system that cannot be adjusted by MA DHCD. However, MA DHCD will adjust its internal practices and protocols of inputting data into MMARS in order to meet 45 CFR 96.30.
- 1.1 (3) MA DHCD will establish an estimated date for MA to implement plans to make appropriate adjustments in MMARS to account for proper drawdowns and carry forward amounts under the period of availability for each CSBG award.
- 1.2 MA DHCD will make appropriate adjustments to account for the two questioned costs identified under Finding 1 Other Expenditures, subject to adequate support and approval of the ACF Office of Grants Management (OGM).

- 1.3 MA DHCD will update its internal control processes and procedures with the goal of ensuring that all obligations incurred under the federal awards are liquidated no later than 90 days after the end of the funding period of availability.

**OCS Response:**

MA DHCD provided a schedule of corrective actions and anticipated dates of implementation. OCS has determined that the proposed actions will satisfy the required action. OCS considers finding 1 closed, subject to approval of the Office of Grants Management.

**FINDING 2: FEDERAL FINANCIAL REPORT TIMELINESS AND COMPLETENESS**

The state is required to submit on an annual basis the status of funds of the CSBG award. OCS reviewed the two Federal Financial Reports (FFRs) submitted by Massachusetts for the FY 2016 CSBG award period of availability, October 1, 2015 through September 30, 2017.

OCS found the FFRs were submitted timely and noted one instance of noncompliance. OCS was unable to determine whether the funds carried forward to the second year or October 1, 2016 to September 30, 2017, were reported mathematically correct on the FFR. As MMARs does not separate CSBG awards by period of availability, OCS cannot determine the accuracy of the reported FY 2016 annual FFR unliquidated amount, totaling \$1,982,512.

Additionally, upon further examination, OCS found Massachusetts did not upload the required FFRs for FYs 2015 and 2017 awards in HHS grant-management system, GrantSolutions. Although, the FY 2017 FFR was outside of the state assessment review period, OCS is noting this as an area of concern.

**Required Action:**

- 2.1 Once the appropriate adjustments have been made to account for each CSBG fiscal year award, Massachusetts is required to submit in GrantSolutions a revised FFR for FY 2016 and the missing FFRs for FYs 2015 and 2017.

**MA DHCD Response:**

- 2.1 Once the appropriate adjustments have been made to account for each CSBG fiscal year award, MA DHCD will submit in GrantSolutions a revised FFR for FY 2016 and the FFRs for FYs 2015 and 2017.

**OCS Response:**

OCS will work with the Office of Grants Management (OGM) at ACF to acquire approval for the proposed adjustments identified in Finding 1. Upon approval, MA DHCD may amend the FFRs in GrantSolutions. Finding 2 will remain open until the reports are amended.

### III. Commonwealth of Massachusetts State Assessment

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#### ADMINISTRATIVE OPERATIONS

##### **Administrative and Discretionary Use of Funds**

Section 675C(2) Administrative Cap – No state may spend more than the greater of \$55,000 or five percent, of the grant for administrative activities, including monitoring activities. Funds to be spent for such expenses shall be taken from the portion of the grant after the state makes grants to eligible entities. Section 675C(b)(1) Use of the Remainder – the state shall use the remainder of the grant or allotment received for discretionary purposes.

To determine whether the recorded entries for payments were adequately supported, obligated, and paid from the correct CSBG period of availability, OCS generated a non-statistical sample of 15 journal entries totaling \$3,234,136.81 of program, administrative, and discretionary expenses for FY 2016.

MA DHCD provided payment information pertaining to the 15 samples. OCS reviewed contracts, budget plans, quarterly expense reports, payment request forms (PRF), and verified the signatures of appropriate approving officials. OCS noted that program office of MA DHCD maintains an internal stand-alone document identified as the PRF to identify the incurred charges to the CSBG award period of availability. With the PRF, OCS determined the 15 incurred charges were substantiated with adequate source records to identify the award period of availability.

##### *Administrative Funds*

OCS concluded MA DHCD is partially compliant – see Finding 1.

Of the five sample selections reviewed for administrative expenses totaling \$22,353.10, five incurred administrative charges were for travel, a public hearing notice, IT, consulting and transcribing services. The five incurred charges examined were eligible and authorized by the appropriate approving official.

##### *Discretionary Funds*

OCS concluded MA DHCD is partially compliant - see Finding 1.

OCS tested four discretionary expenses charged to the FY 2016 CSBG award. Two of the four discretionary expenses sampled were for FY 2015 period of availability but were charged to a subsequent award. OCS has identified the two expenses as questioned costs.

OCS was able to trace the 15 incurred charges to the PRF, which MA DHCD made available to identify the authorized CSBG period of availability. OCS determined the FIFO accounting method used by Massachusetts for CSBG drawdowns does not allow us to determine if the charges were in the correct period. The program office maintains records to support the expenditure and allocation of the costs.

## **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.

The OCS auditor found that the MA DHCD has taken steps to implement procedures and practices to ensure that community needs assessments are completed by all eligible entities. OCS noted MA DHCD has executed comprehensive tools to review the emergent community needs of the twenty-three entities. No areas of noncompliance were noted.

## **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.

Joint monitoring reviews are conducted by the program and fiscal staff of MA DHCD. To determine whether MA DHCD is in compliance with Section 678B(a), MA DHCD made available the monitoring tools and processes, the triannual monitoring review schedule, and other applicable supporting documents. OCS concluded MA DHCD's monitoring practices and procedures were in compliance with state and federal regulations.

## **Training and Technical Assistance**

Section 675C(b)(1)(A) allows states to use CSBG funds to provide training and technical assistance (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.

OCS staff observed that MA DHCD has a process in place to identify whether the twenty-three eligible entities are in need of training and technical assistance. MA DHCD coordinates training efforts when needed with OCS-funded technical assistance grantees for statewide training needs.

## **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.

OCS staff noted MA DHCD did not terminate or reduce funding for any of the 23 eligible entities for the FY 2016 award period. OCS staff concluded MA DHCD has adequate controls in place for implementation of addressing eligible entities' deficiencies. OCS noted no areas of noncompliance with the requirements of Section 678C.

## **FINANCIAL OPERATIONS**

### **Fiscal Controls**

45 C.F.R. § 96.30(a) requires states to maintain fiscal control and accounting procedures. Except where otherwise required by federal law or regulation, a state shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to; (a) permit preparation of reports required by the 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 performed sample testing of administrative and discretionary spending charged to the 2016 CSBG award. OCS noted that the transactions were properly supported and charged to the appropriate accounts, though there were two questioned costs identified. OCS concluded MA DHCD is partially compliant. See Finding 1 for further details.

### **Federal Financial Report**

45 CFR § 92.40, § 92.41, and § 96.30(a), respectively, require that after the close of each statutory period for the obligation of block grant funds and after the close of each statutory period for the expenditure of block grants, each grantee shall report to the Department a financial summary using OMB Standard Form 425 – FFR. Grantees 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.

OCS concluded MA DHCD is partially compliant. See Finding 2 for further details.

### **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 2015 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.

During the period under review, all of the CSBG funds allocated to eligible entities were provided in advance to the entities. This practice, and the use of these funds by the entities, eliminates the need to calculate the carryover amounts.

### **Single Audits**

As required by 2 CFR § 200.501 of the Uniform guidance and 45 CFR Part 75 Subpart F, a non-federal entity that expends \$750,000 or more during the non-federal entity's fiscal year in federal awards must have a single audit conducted in accordance with the § 200.514 scope of audit.

#### *State Single Audit*

Massachusetts completed and uploaded the 2016 single audit report to the Federal Audit Clearinghouse and expended \$750,000 or more in federal awards during the 2016 FFY.

#### *State Monitoring – Eligible Entity Compliance – Single Audit*

MA DHCD monitored the single audit reports of the 23 eligible entities. MA DHCD provided to OCS staff their audit tracking and audit readiness tools. OCS observed MA DHCD follows-up on audit results when findings are cited and the timeliness of single audit reports. OCS noted no issues of non-compliance.

## **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.

OCS examined six program payments for claim reimbursements totaling \$3,186,325.00. The six payments supported eligible program activities and were adequately traced to the proper award period of availability.

### **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 staff observed that MA DHCD implemented an electronic system called Community Software Group (CSBG), better known as E-Gov. E-Gov is currently a pilot program used by the state and others communities. MA DHCD uses the E-Gov as the designated tripartite board repository to track the appointment and departure date of board members. The national performance measures of the 23 entities are also captured in E-Gov. OCS noted where MA DHCD has sufficient tripartite processes in place to comply with the tripartite board requirement. OCS noted no issues of noncompliance.

### **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 the Results Oriented Management and Accountability system (ROMA). Alternatively, states may design their own similar system.

E-Gov tracks ROMA performance measurements. OCS concluded MA DHCD has adequate controls in place for verifying the accuracy of ROMA reporting data. OCS noted no instances of noncompliance.

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 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 2016 CSBG funds. The Annual Report must contain performance measurement outcome data which address the implementation of the national goals and measures.

MA DHCD submitted the FY 2016 Annual Report timely and the report contained the performance measurement outcome data.

### **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.

MA DHCD conducted a cursory review of accounting records and noted no limitation on use of CSBG funds. OCS concluded from the documentation reviewed, MA DHCD is in compliance with CSBG Act.

### **Child Support Services**

Section 678G(b) states 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.

MA DHCD has appropriate processes for assuring compliance with the requirements outlined in Section 678G(b).

#### **IV. NEXT STEPS**

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OCS considers this report final. We would like to thank you, your staff, and the staff of the eligible entities visited for their cooperation and assistance during this state assessment. OCS accepts all of the corrective actions without exception. OCS considers finding 1 to be closed. Finding 2 will remain open pending the approval of ACF OGM and submission of the amended FFRs.

If you have any questions or concerns, please contact:

David Barrie  
Branch Chief, Financial Operations and Accountability Branch  
Division of Community Assistance  
Telephone: (202) 205-3589  
Fax: (202) 401-4694  
Email: [David.Barrie@acf.hhs.gov](mailto:David.Barrie@acf.hhs.gov)

Correspondence may be sent to:  
David Barrie  
Branch Chief, Financial Operations and Accountability Branch  
Administration for Children and Families  
Office of Community Services  
Division of Community Assistance  
330 C Street, S.W., 5<sup>th</sup> Floor West  
Washington D.C. 20201

# APPENDIX

# Report Contributors

**State Staff:**

Ditzah Wooden-Wade  
Louis M. Martin  
Bryan J. Adams  
Michael G. Branner  
Tamara Fahey  
Evelyn M. Martucci  
Lauren Vitale

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**State Eligible Entities:**

Action Inc.  
Community Teamwork Inc.  
Action for Boston Community Development

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**OCS Staff:**

David Barrie  
Elisha Anderson  
Norris Phillips  
Jonna Holden

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