



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

Community Services Block Grant

North Carolina State Assessment

On-Site Review

Final

January 24 - 28, 2011

North Carolina State Assessment

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North Carolina Community Services Block Grant

I. Executive Summary

The Community Services Block Grant (CSBG) provides assistance to States and local communities working through a network of local eligible entities¹ 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 funds are used to 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 North Carolina designated North Carolina Department of Health and Human Services (NCDHHS), Office of Economic Opportunity (OEO) as the appropriate lead agency for the administration of CSBG. In North Carolina CSBG provides funding, technical assistance, and support to 36 eligible entities serving 92 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 North Carolina's CSBG and its eligible entities as evaluated by Federal staff of the Division of State Assistance (DSA) 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

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 Sections 678B and 676(b) of the Coats Human Services Reauthorization Act, Public Law 105-285. On August 25, 2010, OCS issued Information Memorandum 117, explaining that DSA would conduct on-site monitoring visits during Federal Fiscal Years (FFYs) 2011-2013. Federal staff conducted an on-site review of the North Carolina CSBG and its eligible entities from January 24 – 28, 2011. The evaluation included interviews and analyses of the data collected. As per the CSBG statute Section 676, the SA examines the State's and its eligible entities' assurances of operations including:

1. Activities designed to assist and coordinate services to low-income families and individuals, including those receiving assistance under the Temporary Assistance to Needy Families (TANF) program, the elderly, homeless, migrant and seasonal workers, and youth;
2. Coordination of service delivery to ensure linkages among services, such as to employment and training activities, with the Low-Income Home Energy Assistance Program (LIHEAP), faith-based and other community-based charitable organizations, and other social services programs;
3. Innovative approaches for community and neighborhood-based service provision;
4. Ability to provide emergency food and nutrition to populations served;

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 (CAAs) and other eligible nonprofit and public agencies designated by the State.

5. Adherence to statutory procedures governing the termination and reduction of funding for the local entity administering the program;
6. Adequate and appropriate composition of Tripartite Board and eligible entity rules;
7. Appropriate fiscal and programmatic procedures to include a CAP from the eligible entities that identifies how the needs of communities will be met with CSBG funds; and
8. Participation in the performance measurement system, the Results Oriented Management and Accountability (ROMA) initiative.²

The SA also examines the fiscal and governance requirements of the eligible entities that provide CSBG funded services in local communities as well as the State's oversight procedures for the eligible entities. Fiscal and governance requirements include:

1. Methodology for distribution and disbursement of CSBG funds to the eligible entities;
2. Fiscal controls and accounting procedures;
3. State administrative expenses;
4. Mandatory public hearings conducted by the State Legislature; and
5. General procedures for governing the administration of the CSBG, including Board governance, non-discrimination provisions, and political activities prohibitions.

Methodology

The SA consisted of two levels of evaluation by OCS reviewers:

1. OCS reviewers examined the State-level assurances, fiscal and administrative governance requirements through data collection and interviews with State officials and eligible entity officials.
2. OCS reviewers assessed the State's monitoring procedures and results to determine eligible entities compliance with assurances and governance requirements by gathering information and engaging in data collection and interviews.

State-level interviews included the following OEO officials: Verna P. Best, Director; Trudy A. Logan, Program Manager; Laura Famuliner, Controller's Office; Marcia Rogers, Controller's Office; Curtis D. Terry, Controller's Office.

OCS reviewers assessed the following eligible entities: Franklin-Vance-Warren Opportunity, Inc. in Henderson, North Carolina; Nash-Edgecombe Economic Development, Inc. in Rocky Mount, North Carolina; and Operation Breakthrough in Durham, North Carolina.

OCS reviewers included: Isaac Davis, Program Specialist and Team Leader; Michael Pope, Financial Management Analyst; Emmanuel Djokou, Auditor; and Renee Harris, Auditor.

² Some assurances have been combined where appropriate.

II. Assessment and Findings

The OCS reviewers collected information pertaining to the fiscal and programmatic procedures of the State agency, as well as other general information about the State's CSBG including:

- Administrative, program, and financial operations for the State and the eligible entities assessed;
- Brochures and literature on services provided;
- Most recent CSBG financial summary reports for both State and eligible entities;
- Standard Form (SF) 269 Financial Status Report for FY 2008 showing total funds authorized;³
- Audited Financial Statements for both the State and eligible entities;
- North Carolina State CSBG Plan; and
- North Carolina CSBG Operations Manual for both the State and eligible entities.

Fiscal and Governance Operations

The CSBG statute requires each State to designate a lead agency to administer CSBG, and for the lead agency to provide oversight of the eligible entities that administer programs in the communities. The Governor designated NCDHHS as the lead agency to administer CSBG. In FY 2008, the State allocated 90 percent of CSBG funds to eligible entities and eligible entities.

In order to verify that fiscal controls and adequate accounting practices were in place, OCS reviewers examined various transactions and monthly financial reports with the North Carolina Accounting System (NCAS). The State operates on a reimbursement system and monthly reports are the primary tools for evaluating allowable expenditures and tracking budget line items. Monthly reports are reviewed by State fiscal staff and subsequently reviewed by the Fiscal Manager before payments are processed. OCS reviewers examined the monthly reports approval process and a sampling of the subsequent CSBG disbursement to entities on-site. OCS reviewers determined that the State did not have fiscal controls and oversight in place to ensure the eligible entities drew down and expended Federal funds in accordance with financial management requirements. As a result, there is an increased risk of excessive drawdown of Federal funds and eligible entities accruing interest income.

Table 1 illustrates the distribution of Federal funds allocated in North Carolina.

Table 1

Use of FY 2008 Funds: North Carolina		
Uses of Funds	Amount Expended ⁴	Percentage of Expenditures
Grants to Local Eligible Entities	\$ 14,461,890	90%
Administrative Costs	\$ 853,330	5%
Discretionary Projects	\$ 825,872	5%
Total Used in FY 2008	\$16,141,092	100%

³ The SF 269—Short Form is used to report the amount of program income earned and the amount expended.

⁴ Financial Data is reported in the State's general ledger.

According to the State, administrative expenditures were used for the management and monitoring of CSBG. According to the State, discretionary funds were disbursed to the Limited Purpose Agencies (LPAs) for their use based on their community needs assessment for the targeted service areas.

Through the State's General Ledger, OCS reviewers verified the allocation, expenditures, and how the State used their discretionary funds. OCS reviewers determined the State used discretionary funds in accordance with Section 675(b)(1) of the CSBG statute and as outlined in the State regulation 10A NCAC 97C.0108 - Allocation of CSBG funds.

Administrative and Financial Monitoring Accountability

The CSBG statute requires States to monitor local agencies to determine whether they meet performance goals, administrative standards, and financial management standards, as well as other State-defined criteria. The State has procedures in place to ensure eligible entities have a system of governance, financial and human resource management, program and service delivery, and community relations. The State requires the eligible entities to submit applications to receive their CSBG allotments annually. The process of approval is based on: 1) standard forms; 2) governing Board approval; and 3) information about how the entity will provide services in their communities.

Through review of State documentation, interviews with State employees and observation of the use of the State's Administrative and Accounting Manual (SAAM), and the Statewide Information Security Manual, OCS reviewers verified the State's internal controls for accounting and information systems.

States are required by Federal statute to perform monitoring duties in a full on-site review at least once every three years for each eligible entity. A draft monitoring report is developed and issued within 30 days of the on-site visit. The report identifies deficiencies, issues, and concerns requiring corrective action(s) as approved by the Board. Follow-up visits were coordinated with the eligible entities if deficiencies were noted during the on-site visit. A final report is sent to the Board Chairperson and the Executive Director of the agency.

Section 678B(a)(1) requires that the State shall conduct the following reviews of eligible entities:

- (1) A full on-site review of each such entity at least once during each three-year period.
- (2) An on-site review of each newly-designated entity immediately after the completion of the first year in which such entity receives funds through CSBG.

The State monitoring policies and procedures are outlined in the Policy and Procedures Manual, Monitoring Plan, and Tools for CSBG. The State's program and fiscal analysts have primary responsibility for conducting on-site monitoring visits at least once every three years.

OCS reviewers will determine that on-site monitoring reviews were conducted to the following objectives: 1) review of sub-recipient performance; 2) review of compliance to applicable State and Federal regulations, policies and statutes; 3) assist in the prevention of fraud and abuse; and 4) identification of technical assistance needs. A comprehensive CSBG monitoring tool is required to be used in eligible entity monitoring visits. Each

applicable area of this document is designed to be completed with all supporting documentation retained in the State office files.

Table 2, illustrates the State’s monitoring schedule indicating the eligible entities visited in accordance with the CSBG statute.

Table 2

North Carolina Monitoring Schedule		
Agency Name	On-site Visits	Counties Served
Alamance County Community Services, Inc.	10/21/08	Alamance County
Blue Ridge Community Action, Inc.	09/27/07	Burke and Caldwell Counties
Blue Ridge Opportunity Commission, Inc.	10/12/07	Alleghany, Ashe, and Wilkes Counties
Catawba County Board of Commissioners	10/23/07	Catawba County
Charlotte Area Fund, Inc.	***	Mecklenburg County
Choanoke Area Development Association, Inc.	09/23/08	Hertford, Bertie, Halifax, and Northhampton Counties
Coastal Community Action, Inc.	09/29/08	Carteret, Craven, Jones and Pamlico Counties
Community Action Opportunities, Inc.	09/15/08	Madison and Buncombe Counties
Cumberland Community Action Program, Inc.	10/28/08	Cumberland County
Davidson County Community Action, Inc.	09/13/07	Davidson County
Eastern Carolina Human Services Agency, Inc.	01/17/08	Onslow and Duplin Counties
Economic Improvement Council, Inc.	03/11/09 *	Camden, Chowan, Currituck, Dare, Gates, Hyde, Pasquotank, Perquimans, Tyrell and Washington Counties
Experiment in Self-Reliance, Inc.	01/03/08	Forsyth County
Four-County Community Services, Inc.	08/05/08	Bladen, Brunswick, Hoke, Roeson, Columbus, Pender, and Scotland Counties
Four Square Community Action, Inc.	***	Cherokee, Clay, Graham, and Swain Counties
Franklin-Vance-Warren Opportunity, Inc.	***	Franklin, Granville, Vance and Warren Counties
Gaston Community Action, Inc.	***	Cleveland, Gaston, Lincoln and Stanly Counties
Greene Lamp, Inc.	11/20/07	Greene and Lenoir Counties
I-Care, Inc.	***	Iredell County
Johnston –Lee-Harnett Community Action, Inc.	12/20/07	Johnston, Lee and Harnett Counties
Joint Orange-Chatham Community Action, Inc.	06/27/07	Orange and Chatham Counties
Macon Program For Progress, Inc.	***	Macon County
Martin County Community Action, Inc.	***	Beaufort, Martin and Pitt Counties
Mountain Projects, Inc.	05/16/08	Haywood and Jackson Counties
Nash Edgecombe Economic Development, Inc.	11/13/07	Edgecombe, Nash and Wilson Counties
New Hanover County Community Action, Inc.	06/16/08 02/18/09*	New Hanover County
Operation Breakthrough, Inc.	02/21/08	Durham County
Salisbury-Rowan Community Action Agency, Inc.	***	Cararrus and Rowan Counties
Sandhills Community Action Program, Inc.	08/23/07 04/04/08 02/10/09 06/23/09*	Anson, Montgomery, Moore and Richmond Counties
Union County Community Action, Inc.	1/21/08	Union County
WAMY Community Action, Inc.	10/22/07	Watauga, Avery, Mitchell and Yancey Counties
Wayne Action Group For Economic Solvency, Inc.	10/30/07	Wayne County
Welfare Reform Liaison Project, Inc.	08/21/07	Guilford County
Western Carolina Community Action, Inc.	06/11/08	Henderson and Transylvania Counties, and Polk County
Yadkin Valley Economic Development District, Inc.	08/23/07	Davie, Stokes, Surry and Yadkin Counties

The monitoring schedule above indicated that eight eligible entities (***) had not been monitored within the past three years. And, four eligible entities received fiscal monitoring in FY 09’ (*). OCS reviewers examined the State’s monitoring procedures and a representative sample of completed monitoring tools, reports, backup documentation, and corrective action letters. Through

documentation reviews and interviews with State staff responsible for monitoring, and eligible entity staff, OCS determined that the State does not have adequate internal controls for conducting and documenting monitoring reviews for its eligible entities. OCS reviewers noted weaknesses in the State's retention of support documentation and follow-up activities. This was noted in the NC DHHS Statewide Federal Compliance Audit. Since that time, the State has completely re-vamped its monitoring plan, procedures, and practices. Most importantly, any eligible entities that had not received a comprehensive monitoring have been visited.

The State's CSBG calendar year is from July 1 through June 30. In the last quarter of the State's calendar year, any costs incurred by the entities prior to the first quarter are reimbursable subject to the State's receipt of Federal fiscal year funds.

In accordance with Section 678D, States that receive funds shall make appropriate books, documents, papers, and records available to the Secretary and the Comptroller General of the United States or any of their duly authorized representatives, for examination, copying, or mechanical reproduction on or off the premises of the appropriate entity upon a reasonable request for the item(s).

OCS reviewers examined the State's internal audit process. State auditors are required to examine all State funding made to the eligible entities dating back to the previous State audit. Any audit finding(s) are reported to the eligible entity Executive Director and Board of Directors. The eligible entity Board of Directors are required to respond to the notification letter within 30 days with a written Corrective Action Plan that address the findings. Audit Office staff must review and approve the Corrective Action Plan. The eligible entity Board of Directors' failure to respond within the allotted time frame may result in disciplinary actions being taken by the State, up to and including funds de-obligation. The lead auditor is the State official responsible for audit follow-up activities, including resolution and corrective action monitoring. Technical assistance is available through the State on a case-by-case basis for eligible entities with audit findings.

Office of Management and Budget (OMB) Circular A-133, Single Audit Act of 1997

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. The auditing firm for the State conducts the fieldwork, issues the audit report, and submits the required reporting forms to the Federal Audit Clearinghouse (FAC) with reportable findings. The State CSBG Plan submitted to OCS requires that an audit report is prepared annually.

State audits are performed to determine whether: 1) costs and program income activities were properly summarized and reported; 2) internal controls meet the State's standards; 3) costs charged to the grant were allowable; and 4) the State is in full financial compliance.

The State audits are conducted under the standards of the Institute of Internal Auditors. In the performance of their duties, the State's auditing firm also considers the government auditing standards promulgated by the Comptroller General, U.S. Government Accountability Office.

OCS reviewers noted some findings in the State's A-133 audit report(s) pertaining to CSBG. Based on our review of information and interviews with State employees, during FY 2008 the State did not

appear to have written guidance for incorporating audit findings and/or corrective actions in its decision-making process when allocating Federal funds.

OCS reviewers examined the SF-SAC Form - Data Collection Form for reporting on Audits of States, Local Governments, and Non-Profit Organizations found on the FAC website. The OCS reviewers found the State forms were written and submitted in accordance with the Federal requirements. The State Auditor found no areas of noncompliance, reportable conditions, including material weaknesses, questioned costs, fraud, or other reportable items for CSBG. OCS reviewers verified that the State adheres to the accounting principles and financial reporting standards established by the Governmental Accounting Standards Board.⁵

Recapture and Redistribution

Language in Section 675(C)(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 Section 675(C)(3) of the enabling legislation. States are required to recapture and/or redistribute to eligible entities in accordance 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."

Carryover Balance

In accordance with 45 CFR §92.40, §92.41, and §96.30(b)(4), respectively, the grantee shall submit annual program progress and financial status reports using OMB Standard Form 269A Financial Status Report (FSR). The FSRs 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. During our assessment, OCS reviewers noted the State did not submit OMB Standard Form 269A Financial Status Report (FSR) within 90 days of the close of the applicable statutory grant period in accordance with Section 678E. The ACF, Office of Grants Management (OGM) did not have a record of submission from the State for FY 2008. However, the Payment Management System (PMS), reported an unobligated balance of \$ 925,515.

Grantees are required to adhere to a provision of the law under the Consolidated Appropriations Act of 2005, which requires that to the extent FY 2008 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. Through a review of State contractual agreements, OCS reviewers determined the CSBG contracts were effective for one year from July 1, 2007 through June 30, 2008.

The State reported no carryover balance for FY 2008. According to North Carolina's Administrative Code, Title 10A, Subchapter 97-C: Beginning with Federal FY 1988 and effective

⁵ The authoritative bodies of establishing accounting principles and financial reporting standards are the Governmental Accounting Standards Board (State and local governments) and the Financial Accounting Standards Board (nongovernmental entities).

for all subsequent fiscal years, eligible agencies will not be allowed to carry forward unearned funds at the end of a grant agreement to the succeeding grant agreement. All unobligated funds must be returned to the Office within 60 days after the termination of the grant agreement. OCS reviewers determined the State was not in compliance to CSBG carryover policies.

Public Hearings

According to Section 676(a)(2)(B), at the beginning of each fiscal year, a State must prepare and submit an application and State Plan covering a period of one year and no more than two fiscal years. In conjunction with the development of the State Plan, the State holds at least one public hearing. According to State Policy 10A NCAC 97C.0211 Public Review of The State Plan: (a) Public hearings on the proposed State Plan are conducted by the General Assembly in accordance with the Act; (b) The Office submits annually a copy of the State Plan to the State Clearinghouse and each Board of county commissioners in the State and grant recipients.

OCS reviewers determined the FY 2008-2009 Public Hearing was held at OEO, 222 North Person St., Raleigh, NC 29610. Verifying documentation is included as an appendix to the corresponding State Plan, including sign-up sheet for attendees, minutes and notice published in the News Observer (local paper).

Tripartite Boards

The State requires eligible entities to submit a listing of their Tripartite Board membership prior to being approved to administer CSBG funding. Eligible entities must comply with Section 676B of the CSBG statute, which 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 its members are public officials and the remainder are members of business, industry, labor, religious, law enforcement, education, or other major groups interested in the community serviced. Members must actively participate in the planning, implementation, and evaluation of the program that services their low-income communities.

Each eligible entity must have its Tripartite Board certified annually to ensure the Board has received orientation and/or training, which outlines and describes their responsibilities and liabilities. The certification of the Tripartite Board training must be documented in the minutes. The approved minutes must include the type of training, date(s) of the training, and meeting attendees. Additionally, certification must include an annual audit of services, expenditures, and reporting requirements for State, Federal, and other funding sources. These requirements are included in the contract signed between the eligible entities and the State, the CSBG manual, the State Plan, and the CSBG statute. The State-outlined responsibilities of the Tripartite Board include:

- Ensuring that all administrative requirements are met;
- Establishing policies, rules, regulations and by-laws consistent with the agency's mission;
- Establishing accounting systems and fiscal controls consistent with generally accepted accounting principles;
- Establishing policies prohibiting nepotism;
- Avoiding conflict of interest;
- Involvement in directing the agency's operation through regular Board meetings; and

- Acceptance of liability for and resolving any questioned cost identified by audits.

In accordance with State requirements, each CSBG grantee, in order to be in full compliance, is required to adhere to the composition, documentation, by-laws, Board manual, and Board meeting minutes. The State CSBG office is required to monitor Board composition and follow-up with the eligible entities when representation needs to be adjusted. The State assured OCS that the eligible entities adhere to the statute regarding Tripartite Boards by providing information regarding the requirements of a Tripartite Board to each eligible entity in three documents: the CSBG Operations Manual, the CSBG Grant Agreement, and the CSBG assurances submitted with the State Plan each year.

OCS reviewers determined that the State demonstrated reasonable internal controls for initially approving Tripartite Board certifications; however the State did not demonstrate adequate internal controls for continued monitoring for Board compliance.

Administrative or Fiscal Operations

The State is required to maintain a current financial procedure manual in order to meet fiscal standards set forth by Federal regulations. In accordance with Federal regulations, financial reports are required quarterly. Financial reports are due within 30 days of the end of each quarter and annual fiscal reports are required at the end of the State's fiscal year. The annual on-site compliance review conducted by the State should determine compliance to specific areas including financial compliance. Failure to comply with State and Federal reporting requirements may result in corrective action including suspension of grant awards.

According to 45 CFR § 96.30(a), Fiscal and administrative operations require: (a) 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: (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.

According to the CSBG statute, the State is required to have processes in place to provide oversight of CSBG funds.

Through a review of the State's policies and interviews with State staff responsible for the administration of CSBG, OCS reviewers determined that during the FY 2008, the State did not adhere to Section 678G Drug and Child Support Services and CSBG statute.

OCS reviewers also noted the State was not in compliance with Section 678C Corrective Action; Termination and Reduction. State policy 10A NCAC 97C.1302 Termination of Grant Agreement and the Default and Termination clause referenced in the contractual agreement with eligible entities, does not adhere to CSBG statute.

Program Operations⁶

The State reported demographic information on individuals who received services using CSBG funds in FY 2008. The eligible entities operate numerous programs designed to meet the needs identified in their respective service areas. Due to different local needs, not all eligible entities provide the same services in all priority areas. During this SA, agency records were reviewed to assess actual services provided. The assessment instrument addressed the following areas: client services received, expenditures, staff responsibility, Board governance, by-laws, Board meeting minutes, Board manual, personnel, planning and operations, CSBG assurances, fiscal operations, T&TA grants, T&TA grant reviews, and agency postings (i.e., worker's compensation, client appeals, etc.).

The State and eligible entities categorize their expenditures of CSBG funds according to the statutory list of service purposes. The categories are as follows:

- Securing and maintaining employment;
- Securing adequate education;
- Improving income management;
- Securing adequate housing;
- Providing emergency services;
- Improving nutrition;
- Creating linkages among anti-poverty initiatives;
- Achieving self-sufficiency; and
- Obtaining health care.

The State requires agencies receiving CSBG funds to prepare and submit an application, referred to as a Community Action Plan, to the State. The process requires eligible entities to submit an application to the State for approval based on: 1) standard forms; 2) governing Board approval; 3) information based on priority needs; and 4) information about how the entities will provide services in their communities. Table 3 shows the reported characteristics of individuals and families served throughout the State.

Based on the ROMA process, the grant agreement outlines the following requirements for the State's eligible entities:

- A community needs assessment;
- A description of the service delivery system for low-income individuals and families in the service area;
- A description of linkages that will be developed to fill gaps in service through information, referral, case management, and follow-up consultations;
- A description of how funding will be coordinated with other public and private resources; and
- A description of outcome measures for providing services and promoting self-sufficiency and North Carolina community revitalization.

⁶ FY 2008 CSBG IS Report

The program activities associated with CSBG funds as used by the eligible entities in FY 2008 are detailed below:

Employment Programs

The State reported spending \$0 in CSBG funds to support a range of services designed to assist low-income individuals in obtaining and maintaining employment. These services may include:

- Support for TANF recipients who are preparing to transition to self-sufficiency or for former TANF recipients who need additional support to find or maintain employment;
- Support for job retention, including counseling, training, and supportive services, such as transportation, child care, and the purchase of uniforms or work clothing;
- Skills training, job application assistance, resume writing, and job placement;
- On-the-job training and opportunities for work;
- Job development, including finding employers willing to recruit through the agency, facilitating interviews, creating job banks, providing counseling to employees, and developing new employment opportunities in the community;
- Vocational training for high school students and the creation of internships and summer jobs; and
- Other specialized adult employment training.

Education Programs

The State reported spending \$206,917 in CSBG funds to provide education services. These services may include:

- Adult education, including courses in English Second Language (ESL) and General Equivalency Diploma (GED) preparation with flexible scheduling for working students;
- Supplemental support to improve the educational quality of Head Start programs;
- Child care classes, providing both child development instruction and support for working parents or for home child care providers;
- Alternative opportunities for school dropouts and those at risk of dropping out;
- Scholarships for college or technical school
- Guidance regarding adult education opportunities for the community;
- Programs to enhance academic achievement of students in grades K-12, while combating drug or alcohol use and preventing violence; and
- Computer-based courses to help train participants for the modern day workforce.

Housing Programs

The State reported spending \$4,823 in CSBG funds to provide housing programs to improve the living environment of low-income individuals and families. These services may include:

- Homeownership counseling and loan assistance;
- Affordable housing development and construction;
- Counseling and advocacy about landlord/tenant relations and fair housing concerns;
- Assistance in locating affordable housing and applying for rent subsidies and other housing assistance;

- Transitional shelters and services for the homeless;
- Home repair and rehabilitation services;
- Support for management of group homes; and
- Rural housing and infrastructure development.

Emergency Services Programs

The State reported spending \$142,680 in CSBG funds for emergency services and crisis intervention. These services may include:

- Emergency temporary housing;
- Rental or mortgage assistance and intervention with landlords;
- Cash assistance/short-term loans;
- Energy crisis assistance and utility shut-off prevention;
- Emergency food, clothing and furniture;
- Crisis intervention in response to child or spousal abuse;
- Emergency heating system repair;
- Crisis intervention telephone hotlines;
- Linkages with other services and organizations to assemble a combination of short-term resources and long-term support; and
- Natural disaster response and assistance.

Nutrition Programs

The State reported spending \$22,472 in CSBG funds to support nutrition programs. These services may include:

- Organizing and operating food banks;
- Supporting food banks of faith-based and civic organization partners with food supplied and/or management support;
- Counseling families on children's nutrition and food preparation;
- Distributing surplus United States Department of Agriculture commodities and other food supplies;
- Administering the Women, Infants and Children (WIC) nutrition program;
- Preparing and delivering meals, especially to the homebound elderly;
- Providing meals in group settings;
- Initiating self-help projects, such as community gardens, community canneries, and food buying groups to help families and individuals preserve fruit and vegetables;
- Nutrition information/referral/counseling;
- Hot meals, such as breakfasts, lunches, or dinners for congregate or home delivery meals; and
- Nutritional training in home economics, child and baby nutrition, diets and available Federal or State programs.

Self-Sufficiency Programs

The State reported spending \$12,908,271 in CSBG funds on self-sufficiency programs to offer a continuum of services to assist families in becoming more financially independent. These services may include:

- An assessment of the issues facing the family or family members, and the resources the family brings to address these issues;
- A written plan for becoming more financially independent and self-supporting; and
- Services that are selected to help the participant implement the plan (i.e. clothing, bus passes, emergency food assistance, career counseling, family guidance counseling, referrals to the Social Security Administration for disability benefits, assistance with locating possible jobs, assistance in finding long-term housing, etc.)

Health Programs

The State reported spending \$0 in CSBG funds on health initiatives to address gaps in the care and coverage available in the community. These services may include:

- Recruitment of uninsured children to a State insurance group of State Children's Health Insurance Program (SCHIP);
- Recruitment of volunteer medical personnel to assist uninsured low-income families;
- Prenatal care, maternal health, and infant health screening;
- Assistance with pharmaceutical donation programs;
- Health-related information for all ages, including Medicare/Medicaid enrollment and claims filing;
- Immunization;
- Periodic screening for serious health problems, such as tuberculosis, breast cancer, HIV infection, and mental health disorders;
- Health screening of all children;
- Treatment for substance abuse;
- Other health services including dental care, health insurance advocacy, CPR training, education about wellness, obesity, and first-aid; and
- Transportation to health care facilities and medical appointments.

Income Management Programs

The State reported spending \$0 in CSBG grant funds on income management programs. These services may include:

- Development of household assets, including savings;
- Assistance with budgeting techniques;
- Consumer credit counseling;
- Business development support;
- Homeownership assistance;
- Energy conservation and energy consumer education programs, including weatherization;
- Tax counseling and tax preparation assistance; and
- Assistance for the elderly with claims for medical and other benefits.

Linkages

The State reported spending \$513,657 in CSBG funds on linkage initiatives that involve a variety of local activities because of the CSBG statutory mandate to mobilize and coordinate community responses to poverty. These services may include:

- Coordination among programs, facilities, and shared resources through information systems, communications systems, and shared procedures;
- Community needs assessments, followed by community planning, organization, and advocacy to meet these needs;
- Creation of coalitions for community changes, such as reducing crime or partnering businesses with low-income neighborhoods in order to plan long-term development;
- Efforts to establish links between resources, such as transportation and medical care of other needed services and programs that bring services to the participants, for example, mobile clinics or recreational programs, and management of continuum-of-care initiatives;
- The removal of the barriers such as transportation problems, that keep the low-income population from jobs or from vital every days activities; and
- Support for other groups of low-income community residents who are working for the same goals as the eligible entities.

At the local level, eligible entities coordinate CSBG with labor programs, transportation programs, educational programs, elderly programs, energy programs, community organizations, private businesses, churches, the United Way, and various youth organizations and programs. A State's eligible entity will coordinate with other services providers and act as a focal point for information on services in their local area. The eligible entity identifies gaps in services and works with other providers to fill those gaps. The entity has organized meetings and participates in task forces with local service provider groups.

Programs for Youth and Seniors⁷

The State reported spending \$206,917 in CSBG funds on the programs serving youth and spending \$0 on programs serving seniors. Services noted under these categories were targeted exclusively to children and youth from ages 6-17 or persons over 55 years of age. Seniors' programs help seniors to avoid or address illness, incapacity, absence of a caretaker or relative, prevent abuse and neglect, and promote wellness. These services may include:

Youth services may include:

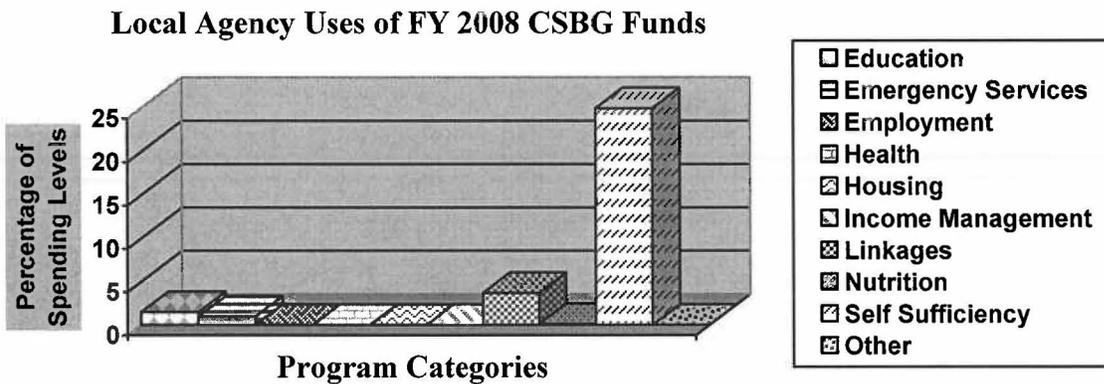
- Recreational facilities and programs;
- Educational services;
- Health services and prevention of risky behavior;
- Delinquency prevention; and
- Employment and mentoring projects.

⁷ Programs for Youth and Seniors are recorded separately in the ROMA and therefore not listed on the local agency use of funds chart.

Senior services may include:

- Home-based services, including household or personal care activities that improve or maintain well-being;
- Assistance in locating or obtaining alternative living arrangements;
- In-home emergency services or day care;
- Group meals and recreational activities;
- Special arrangements for transportation and coordination with other resources;
- Case management and family support coordination; and
- Home delivery of meals to insure adequate nutrition.

The chart below also illustrates the proportion of CSBG local expenditures reported by the State.



ROMA System

Beginning in FY 2001, States were required to participate in a system to measure the extent to which programs are implemented in a manner that achieves positive results for the communities served. States may participate in the model evaluation system designed by OCS in consultation with the CSBG network called ROMA. Alternatively, States may design their own similar system. States are to report to OCS their progress on the implementation of performance measurement practices.

The North Carolina CSBG Manual outlines the Accountability and Reporting requirements for its eligible entities. According to North Carolina policies, all eligible entities are required to participate in a performance measure system which satisfies CSBG Statute. According to the State, ROMA data is grouped into the Self-Sufficiency service category. During our assessment, the OCS reviewers noted several services were being provided that were not accounted for using the State prescribed method for eligible entities to collect ROMA data. OCS reviewers also noted that the eligible entities visited provided services (job readiness, housing services, GED classes) that were not accounted for or aggregated into one service category in the ROMA report. OCS reviewers determine that the State is not accurately reporting CSBG service programs.

OCS reviewers also determined that the inability to trace Federal funds to specific services through ROMA, increased the risk of fraud, waste, and abuse of Federal funds and/or underestimate the CSBG expenditures. As a result, the eligible entities, reporting through ROMA, are not providing HHS with an accurate assessment of the programs/services provided to low-income individuals.

ROMA training is provided through the National Association for Community Services Programs (NASCSPP) conferences on the State level, and through the local Community Action Partnership (CAP) conferences held for North Carolina's eligible entities.

Table 3 below illustrates the services reported by the eligible entities websites.

Table 3

Summary of North Carolina Community Action Agencies CSBG Services

Eligible Entity	Education	Emergency Services	Employment	Health	Housing	Income Management	Linkages	Nutrition	Self Sufficiency
ACCS		X			X	X			X
BRCA		X			X				X
BROC		X							X
CCDSS			X						
CAF	X		X			X		X	
CADA	X		X						X
CCAI	X		X	X	X	X			X
CAO	X		X	X	X	X			X
CCAP					X	x		X	x
DCCA									
ENCHS	X	X	X	X	X		X		
EIC	X		X		X	X	X		X
ESR	X		X		X	X			X
FCCS	X		X		X				X
FSCA									
FWWO	X		X	X	X				X
GCA	X		X	X	X				X
GL	X		X						X
I-Care	X		X		X				X
JLHCA	X						X		
JOCCA		X	X		X				
MPP	X	X	X			X			X
MCCA	X		X		X				X
MPI		X	X		X				X
NEED	X	X	X		X				X
NHCCA	X			X					X
OB									
SRCSC	X		X		X	X			X
SCAP									
UCCA	X	X			X			X	
WAMYCA	X	X	X	X	X	X	X	X	X
WAGES	X	X	X		X	X		X	X
WRLP	X		X		X	X	X		
WCCA	X	X	X	X	X	X	X	X	X
YVEDD	X	X	X	X	X	X	X	X	X
WEBDCDC	X	X	X		X	X		X	

OCS reviewers determined that eligible entity websites identify various services being offered that were not reported in the State Information Survey/ROMA Report. Through a review of the available websites, OCS reviewers also determined that the State did not accurately report the use of Federal funds per services provided on the Information Survey/ROMA Report, Section E. As a result, the State did not accurately report the use of the CSBG funds Section 678E Accountability and Financial Requirements of CSBG Statute. As a result; the State failed to provide an accurate measure of the performance and use of funds for FY 2008 by the eligible entities and eligible entities.

III. Eligible Entities On-site Review Summaries

Franklin-Vance-Warren Opportunity, Inc. (FVWOpp)

FVWOpp is a nonprofit 501(c) 3, corporation that originally began operating in Henderson, North Carolina in 1966 to administer programs that address self-sufficiency. Since 1966, FVWOpp has provided the Economic Self Sufficiency Project offering comprehensive employment preparation, training, development, placement and retention programs designed to assist low-income individuals to obtain employment that enables them to support their family and household needs. FVWOpp services Lewisburg, Warren and Oxford counties. A mission of providing self-sufficiency, housing, education, and foreclosure prevention programs guides their service delivery.

In 2008, FVWOpp provided assistance to 3,864 residents representing more than 1,708 households and had an annual budget of \$9,487,128 of which \$353,005 were CSBG funds. FVWOpp utilizes CSBG funds to pay staff salaries, case management activities and services coordination, as well as agency administrative support and planning. In addition to self-sufficiency, housing, education, foreclosure prevention FVWOpp offers individual and group training in resume writing, interview techniques, appropriate dress, personal appearance and conduct, stress management, life skills, budget and home management, crisis management and conflict resolution.

Nash – Edgecombe Economic Development, Inc. (NEED)

NEED is a nonprofit, 501(c) 3, corporation that originally began operating in Rocky Mount, NC in 1966 to administer programs that address self-sufficiency. Since 1966, NEED has provided services for low-income residents including self-sufficiency and family development services, helping families become self-sufficient through gainful employment, providing education, training, job search skills, economic development, job preparation and placement. NEED provides services to Wilson, Edgecombe and Nash Counties. A mission to promote and work for those activities or programs that are necessary or desirable for advancing the general welfare of low-income people, to promote self-sufficiency, providing training resources and opportunities through services and non-service strategies, in an effort to eliminate poverty, guides their service delivery.

In 2008, NEED provided assistance to 3,981 residents representing more than 1,327 households and had an annual budget of \$8,927,587 of which \$599,279 were CSBG funds. NEED utilizes CSBG funds to provide case management services. In addition to self-sufficiency services, NEED provides technical assistance to other community organizations to improve living conditions and coordinate resources to support family self-sufficiency.

Operation Breakthrough, Inc. (OBTNC)

OBTNC is a nonprofit 501(c) 3, corporation that originally began operating in Durham, North Carolina in 1967 to administer programs that address self-sufficiency. Since 1967, OBTNC has assisted applicants to identify and remove barriers to self-sufficiency. OBTNC services Durham County. A mission to promote self-sufficiency and provide comprehensive quality services for low-income families and individuals, while promoting a philosophy which embraces education, social and economic growth, and development guides their service delivery.

In 2008, OBTNC provided assistance to 716 residents representing more than 87 households and had an annual budget of \$5,130,730 of which \$482,250 were CSBG funds. OBTNC utilizes CSBG funds to support its Family Empowerment Action to Self-Sufficiency Program (FEATS). In addition to helping families remove the barriers to self-sufficiency; OBTNC assists Durham residents through the Community Recovery Outreach Program, Mortgage Assistance Program, Head Start and Weatherization Programs.

IV. Assessment Findings and Recommendations

Through a review of the State policies, procedures, and documentation, OCS reviewers determined that the State was not in compliance with the CSBG statute, the Terms and Conditions of the CSBG, and other applicable policies. Internal controls for eligible entities are mandated by the North Carolina CSBG Manual. The State utilizes a comprehensive monitoring tool and maintains a monitoring schedule. However not all eligible entities were monitored for compliance with State and Federal statutes. OCS reviewers determined that in FY 2008, there were findings of noncompliance for the State.

Finding 1

The State failed to provide monitoring and oversight of CSBG in accordance with Section 678B.

Recommendation:

OCS recommends the State:

- 1.1 Should review and revise its monitoring schedule to be in accordance with CSBG statutes.
- 1.2 Develop and implement internal policies and procedures to ensure each eligible entity is monitored at least once every three years, and the State should maintain complete monitoring files which includes the documentation for each eligible entity.
- 1.3 The State should also implement procedures for monitoring Board compliance for eligible entities.

State Comment:

Please revise if deemed appropriate as previously described.

OCS Comment:

OCS completed their review of the State's monitoring schedule and considers this finding closed.

Finding 2

The State does not have written guidance, policies and procedures to address audit findings as required in Section 678C of the CSBG statute.

Recommendation:

OCS recommends the State:

- 2.1 Develop and implement written policies and procedures for corrective actions to ensure that audit findings, deficiencies, and/or weaknesses are properly addressed and considered during the decision making process.

State Comment:

The State is requesting clarification. The State also note that Section 678C of the CSBG Statute deals with Corrective Action, Termination and Reduction of Funding and 678D deals with Fiscal Controls, Audits and Withholding. Please clarify which, if either is applicable pending review of this finding.

OCS Comment:

OCS sustains the findings. The State should consider 678 in its entirety when properly addressing fiscal controls and procedures to also include management decisions when implementing corrective actions for audit findings.

To strengthen the States internal controls, the State also should consider 45 CFR §92.26(b)(2)(3). State and local governments shall determine whether the sub-grantee spent Federal assistance funds provided in accordance with applicable laws and regulations; and, ensure that appropriate corrective action is taken within six months after receipt of the audit report in instances of noncompliance with Federal regulations.

Finding 3

The State did not submit OMB SF 269A Financial Status Reports (FSR) within 90 days of the close of the applicable statutory grant period in accordance with Section 678E. The Office of Grants Management (OGM) did not have a record of submission from the State for FY 2008.

Recommendation:

OCS recommends the State:

- 3.1 Provide additional T&TA to ensure timely submission of SF269.
- 3.2 Strengthen internal controls to ensure adequate review and verification of amounts reported on the SF269. In addition to the review of supporting documentation, the amount reported should be reviewed for reasonableness based on program management expectations.

State Comment:

Please reconsider based on the documents provided.

OCS Comment:

OCS sustains the findings. The State should review the Terms and Conditions of the grant award, and CFR §92.41(b)(4). Final reports are due 90 days after the expiration or termination of grant support. The FSR submitted by the State indicated that the report for FY 2008 was submitted on March 4, 2010.

In order to strengthen the State's financial reporting process, OCS recommends the State CSBG staff work with the State's fiscal officer on reporting requirements through training and technical assistance.

OCS will review the State's revised policies and procedures during the corrective action process.

Finding 4

The State is not in compliance with CSBG carryover policies. According to Section 675C, CSBG funds granted by the State to subgrantees are available to the subgrantee for obligation during the Federal fiscal year that the grant was made and in the following Federal fiscal year.

Grantees are also required to adhere to a provision of the law under the Consolidated Appropriations Act of 2005, which requires that to the extent FY 2008 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.

Recommendation:

OCS recommends the State:

4.1 Review and revise carryover policies to adhere to the required Federal policy on carryover.

State Comment:

We are requesting clarification as previously described.

OCS Comment:

OCS reviewers noted that according to North Carolina's Administrative Code, Title 10A, NCAC Subchapter 97C.0108. Beginning in 1983, and in effect for all subsequent fiscal years, eligible entities are required to return all unearned funds to the State within 60 days after the termination of the grant agreement. OCS reviewers determined the State policies were not in compliance with CSBG carryover policies. The questioned costs are undetermined at this time. OCS will continue discussions regarding this matter during the corrective action process.

Finding 5

The State did not comply with Section 678G, which requires eligible entities receiving grants under Section 675C to inform custodial parents or single parents about the availability of child support services; and refer eligible parents to the child support offices of State and local governments.

Recommendation:

OCS recommends the State:

5.1 Should review and revise current State policies to adhere to Section 678G, requiring eligible entities to make appropriate referrals to the local offices of child support enforcement.

State Comment:

State concurs with the finding.

OCS Comment:

OCS will review the State's newly amended Annual Funding Application and any revised policies to ensure the State is in compliance with Section 678G during the corrective action process.

Finding 6

The State is not in compliance with Section 678C, Corrective Action, Termination and Reduction of Funding.

Recommendation:

OCS recommends the State:

- 6.1 Review and revise Termination of Grant Agreement policy and the Default and Termination clause in the eligible entities grant agreement to conform to Section 678C.

State Comment:

Please clarify as previously described.

OCS Comment:

The State policy 10A NCAC 97C.1302, should be revised to be in accordance with the CSBG statute 678C. According to the State policy, eligible entities are denied an opportunity to correct a deficiency through the procedures outlined in 678C. OCS will continue to work with the State in understanding the termination process, and in developing the appropriate procedures during the corrective action process.

Finding 7

The State was not in compliance with Section 678E(b)(2)(B) which requires a description of how funds were actually spent by the State and eligible entities in the State, including a breakdown of funds spent on administrative cost and on the direct delivery of local services by eligible entities.

Recommendation:

OCS recommends the State:

- 7.1 Implement internal procedures for accurately reporting the breakdown of funds expended on administrative cost and the direct delivery of local services by eligible entities.

State Comment:

Please review philosophy, description and logic model provided and revise as deemed appropriate.

OCS Comment:

OCS reviewed the philosophy, description and logic model provided by the State. The State was not in compliance with Section 678E(b)(2)(B), which requires a description of how Federal funds were actually spent by the State and eligible entities in the State. The logic model does not accurately report the distribution and accountability of CSBG funds.

OCS sustains the finding and will work with the State to resolve this issue during the corrective action process.

This report is now considered final. If you have any questions or comments, please contact:

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Table 4

CSBG Client Characteristics and Statistics Reported by State ⁹	
Race/Ethnicity By Number of Persons:	
Hispanic or Latino	5,689
African American	48,127
White	28,976
Other	55
Multi-race	3,312
Education: Years of Schooling by Number of Persons:	
0-8 years	1,909
9-12, non graduates	6,621
High school graduates/GED	18,915
12+ some postsecondary	8,364
2 or 4 year college graduates	8,015
Insured/Disabled:	
No Health Insurance	25,212
Disabled	12,059
Surveyed About Insurance	48,090
Surveyed About Disability	47,628
Family Structure:	
Single parent/Female	22,244
Single parent/Male	1,300
Two Parent Household	14,418
Single Person	10,076
Two Adults, No Children	4,481
Family Housing by Number of Families:	
Own	16,031
Rent	29,950
Homeless	1,594
Level of Family Income as Percentage of Federal Poverty Guideline by Number of Families:	
Up to 50%	16,697
51% to 75%	12,925
76% to 100%	12,3234
101% to 125%	5,614
126% to 150%	2,827
151% or more	2,379
Age	
0-5	14,671
6-11	5,036
12-17	3,983
18-23	9,511
24-44	22,967
45-54	12,985
55-69	9,937
70+	4,228
Totals	83,318
Gender	
Male	27,545
Female	54,755
Totals	82,300

⁹ The CSBG Client Characteristics and Statistical data was retrieved from the CSBG IS data.