

93.569

COMMUNITY SERVICES BLOCK GRANT

State Project/Program: OFFICE OF ECONOMIC OPPORTUNITY

U. S. Department of Health and Human Services

Federal Authorization: 42 United States Code (USC) Section 9901-9920, 45 Code of Federal Regulations (CFR) Part 96, Public Law (PL) 105-285 Community Opportunities, Accountability, Training and Educational Services Act of 1998, Section 681; Public Law 97-35, 42 U.S.C. 9910

State Authorization: North Carolina Administrative Code (NCAC) 10ANCAC 97C; 10ANCAC 97C.0107; 10ANCAC 97C.0109

N. C. Department of Health and Human Services
Division of Social Services
Office of Economic Opportunity

Agency Contact Person – Program

Marionna Poke-Stewart
(919) 527-6250
Marionna.Poke-Stewart@dhhs.nc.gov

Agency Contact Person – Financial

Judy Cajigas
919.855-3591
Judy.Cajigas@dhhs.nc.gov

Address Confirmation Letters To:

SFY 2025 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Managed Care Organizations (MCOs), Boards of Education, Councils of Government, District Health Departments and DHSR Grant Subrecipients will be available by mid-October at the following web address:
<https://www.ncdhhs.gov/about/administrative-offices/office-controller/audit-confirmation-reports> At this site, click on the link entitled “Audit Confirmation Reports (State Fiscal Year 2024-2025). Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports”.

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

This compliance supplement must be used in conjunction with the OMB 2025 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

I. PROGRAM OBJECTIVES

The objective of the Community Services Block Grant (CSBG) program is to provide assistance to a network of eligible entities at the local community level for the purpose of ameliorating the causes and consequences of poverty and revitalizing low-income communities. These entities (primarily Community Action Agencies) provide a range of services designed to assist low-income people with attaining the skills, knowledge, and motivation necessary to achieve self-sufficiency.

Low-income participants are assisted with an array of comprehensive case management services inclusive of, but not limited to, employment, education, income management, housing, emergency assistance, community involvement, and accessing other needed resources.

CSBG funds are used to support positive youth development, promote civic engagement, and improve the organization infrastructure for planning and coordinating service activities with other organizations that address poverty conditions in the designated service area and across the State.

The three national goals of the Results-Oriented Management and Accountability (ROMA) system summarize the objectives of the CSBG Program. These six goals for community action respect the diversity of the network and provide clear expectations of results. ROMA was incorporated in the CSBG Act in 1998.

Goal 1: Individuals and families with low incomes are stable and achieve economic security.

Goal 2: Communities where people with low incomes live are healthy and offer economic opportunity

Goal 3: People with low incomes are engaged and active in building opportunities in communities.

II. PROGRAM PROCEDURES

The CSBG Program is administered by the North Carolina Department of Health and Human Services, Office of Economic Opportunity (OEO). CSBG funds are 100% federal dollars obtained by the State in accordance with a pre-defined formula, upon submission of an application to the U. S. Secretary of Health and Human Services, and then redistributed based upon State laws and rules. State rules require that ninety percent of funds received be distributed to local community action agencies, five percent for discretionary purposes and five percent for program administration. Funds are allocated to grantees based on the number of poor individuals in the area(s) served by the grantee as compared to the total number of poor persons in the total area being served by the grant program. Since FY 1986-87, no grantee has received less than \$120,000 or less than eighty percent of their funding. To receive funds, each eligible entity must submit an application that meets prescribed criteria set forth by OEO annually. After application approval, the grant recipient must sign a contractual grant agreement with DHHS that incorporates various terms and conditions.

Eligible program participants make applications to subrecipients based on the policies and procedures of the local organization. Community Action Agencies operating comprehensive case management utilize the intake application in the Community Action Reporting Database System (CARDS).

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Grantees are required to submit monthly financial expenditure (DVRs-OEO Form 1571) reports and program performance reports during the grant period. Grant funds are disbursed by the Office of the Controller to grantees on a monthly basis. On-site monitoring visits are made to each grantee by Office of Economic Opportunity (OEO) staff to verify reported programmatic progress, to review financial records, and to review administrative structures and practices. Correspondence summarizing the results of program performance and on-site monitoring visits are shared with the grantee board chairperson and the agency executive director.

Federal and State requirements are communicated to the subrecipients through use of quarterly conference calls, OEO annual Contractors' training, use of the Office's Guidance Memoranda and the OEO website <https://www.ncdhhs.gov/divisions/office-economic-opportunity>. Subgrantees may use CSBG funds for any programs, services or other activities related to achieving the broad goals of the CSBG programs such as reducing poverty, revitalizing low-income communities, and assisting low-income individuals and families. Based on (42 U.S.C. 9918(a)), funds may not be used to purchase or improve land or to purchase, construct, or permanently improve buildings or facilities, other than low-cost residential weatherization or other energy-related home repairs, unless waived by the Secretary of DHHS. Additionally, funds may not be used to support any partisan or non-partisan political activity or to provide voters or prospective voters with transportation to the polls or provide similar assistance in connection with an election or any voter registration (42 USC 9918(b)).

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements (Types) that are applicable to the federal program. These Types are either determined by the federal agency or the State Agency may have added the Type. This is noted by "Y." If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is discussed in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, this is indicated by "N."

If the Type is applicable, the auditor must determine if the Type has a direct and material effect on the federal program for the auditee. The auditor must use the OMB 2025 Compliance Supplement, Part 3 and Part 4 (if an OMB supplement is issued) in addition to this State supplement to perform the audit.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension &	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	Y	N	N	Y	Y	N	N	Y	Y

A. Activities Allowed or Unallowed

Sub-grantees may use CSBG funds for any programs, services or other activities related to achieving the broad goals of the CSBG programs such as reducing poverty, revitalizing low-income communities, and assisting low-income individuals and families. Funds may be used to:

1. promote economic stability, employment, education and literacy, housing and civic participation;
2. support community youth development programs;
3. fill gaps in services through information dissemination, referrals, and case management;
4. provide emergency assistance financially, by providing supplies, services, food, medical assistance, etc.;
5. secure more active involvement of the private sector, faith-based institutions, neighborhood-based organizations, and charitable groups; and
6. plan, coordinate, and develop linkages among public (Federal, States and local), private, and non-profit resources to improve their combined effectiveness in ameliorating poverty (42 USC 9901 and 42 USC 9908(b)).

B. Allowable Costs/Cost Principles

OMB administrative requirements and cost principles circulars apply to subgrantees receiving CSBG funds (42 USC 9916(a) (1) (B)).

Funds may not be used to purchase or improve land or to purchase, construct, or permanently improve buildings or facilities, other than low-cost residential weatherization or other energy-related home repairs, unless waived by the Secretary of DHHS. (42 U.S.C. 9918(a))

Funds may not be used to support any partisan or non-partisan political activity or to provide voters or prospective voters with transportation to the polls or provide similar assistance in connection with an election or any voter registration (42 USC 9918(b)).

Title to equipment purchased by a local grantee vest in the local grantee. Local governments shall follow the OMB Circular 2 CFR Part 200 Common Rule for equipment acquired. Non-profit grantees shall follow the provisions of OMB Circular 2 CFR Part 200 for equipment acquired. Both local governments and non-profit grantees shall also follow 10A NCAC 97C .0702 and the CSBG contract Attachment G.

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201.

OMB administrative requirements and cost principles circulars apply to sub-grantees receiving CSBG funds (42 USC 9916(a) (1) (B)).

E. Eligibility

The official poverty guidelines established by the U. S. Department of Health and Human Services shall be used as criteria of eligibility for all services provided to program participants by grant recipients. "Services" is defined as an act of assistance and/or direct benefit to a

family unit. The poverty guidelines are revised annually (10ANCAC 97C. 0107). Other eligibility criterion can be determined at the discretion of the subrecipient agency.

H. Period of Performance

The contract period is one year and extends for the period July 1 through June 30 or as indicated in the contract terms.

I. Procurement, Suspension and Debarment

Procurement

All grantees that expend federal funds (received either directly from a federal agency or passed through the N. C. Department of Health and Human Services) are required to conform to federal agency codifications of the grants management common rule accessible on the Internet at <http://www.whitehouse.gov/omb/>.

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the procurement standards described in the North Carolina General Statutes and the North Carolina Administrative Code, which are identified in the State of North Carolina Agency Purchasing Manual accessible on the Internet at http://www.pandc.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf.

Suspension and Debarment

Suspension and Debarment does not apply at the local level.

M. Subrecipient Monitoring

The Office of Economic Opportunity is responsible for managing and monitoring each project, program, sub-award, function or activity supported by the award. OEO monitors sub-awards to ensure subrecipients have met the audit requirements as outlined in OMB Circular 2 CFR Part 200. Additionally, under the NCGS 143C-6-23 OEO is responsible for managing and monitoring each project, program, or activity supported by grant funds and each subgrantee project, program, or activity supported by grant funds as sub-grantees are subject to all conditions of the grantee's contract with the State.

This is performed at the state level and does not apply at the local level.

N. Special Tests and Provisions

Compliance Requirement

1. Board of Directors: Each private grant recipient must have a tripartite board of directors consisting of at least 15 members and structured to ensure that

a. one-third of the members of the board are elected public officials (or their representatives) currently holding office, unless the number of elected officials willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be considered as meeting the one-third requirement.

b. at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served; and

c. the remainder of the members are officials or members of business, industry, labor, religious, welfare, education, or other major groups and interests in the community (10ANCAC 97C .0109).

Audit Objective: To determine whether the grantee board structure met statutory requirements.

Suggested Audit Procedure – Examine by-laws, board roster, board minutes, and board correspondence and determine compliance with the above.

2. Conflicts of Interest and Certification Regarding No Overdue Tax Debts

All non-State entities (except those entities subject to the audit and other reporting requirements of the Local Government Commission) that receive, use or expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are subject to the financial reporting requirements of G. S. 143C-6, effective July 1, 2007. These requirements include the submission of a Conflict-of-Interest Policy (see G. S. 143C-6-23(b)) and a written statement (if applicable) that the entity does not have any overdue tax debts as defined by G. S. 105-243.1 at the federal, State or State, level (see G. S. 143-6-23(c)). All non-State entities that provide State funding to a non-State entity (except any non-State entity subject to the audit and other reporting requirements of the Local Government Commission) must hold the sub-grantee accountable for the legal and appropriate expenditure of those State grant funds.

Audit Objective: To determine whether duty of disclosure of any Conflict of Interest reported to the Board of Directors for approval.

Suggested Audit Procedure – Examine by-laws, policies and procedures, board minutes, and board correspondence and determine compliance with the above.

Audit Objective: To determine whether the grantee isn't in violation of No Overdue Tax Debts.

Suggested Audit Procedure – Examine financial policies and procedures, financial records, correspondence and determine compliance with the above.