U. S. Department of Health and Human Services

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
Office of Economic Opportunity

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N. C. DHHS Confirmation Reports:
SFY 2012 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Boards of Education, Councils of Government, District Health Departments and DHSR Grant Subrecipients will be available by early September at the following web address: http://www.dhhs.state.nc.us/control/. At this site, page down to “Letters/reports/forms for ALL Agencies” and click on “Audit Confirmation Reports (State Fiscal Year 2011-2012)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from the DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports (State Fiscal Years 2010-2012)”.

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.
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 employment, education, income management, housing, emergency assistance, community involvement, and accessing other needed resources.

Additionally, 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 six 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: Low-income people become more self-sufficient.
Goal 2: The conditions in which low-income people live are improved.
Goal 3: Low-income people own a stake in their community.
Goal 4: Partnerships among supporters and providers of service to low-income people are achieved.
Goal 5: Agencies increase their capacity to achieve results.
Goal 6: Low-income people, especially vulnerable populations, achieve their potential by strengthening family and other supportive systems.

II. PROGRAM PROCEDURES

The CSBG Program is administered by the North Carolina Department of Health and Human Services, Division of Social Services, Office of Economic Opportunity, 222 North Person Street, Raleigh, North Carolina 27601, (919) 715-5850.

CSBG funds are 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 to the identified limited purpose agencies 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 including:

- period of award,
- amount of award,
- termination provisions,
- amendment procedures,
- record retention requirements,
- property management requirements,
- audit requirements,
- terms of pay back of disallowed costs,
- disallowance of lobbying costs,
- work program,
- approved budget, and
- assurance of compliance with applicable federal, State and local laws and regulations.

Grantees are required to submit monthly financial expenditure 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.

III. COMPLIANCE REQUIREMENTS

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 self-sufficiency, 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)).

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

**B. ALLOWABLE COSTS/COST PRINCIPLES**

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

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.

**C. CASH MANAGEMENT**

The majority of CSBG sub-grantees participate in our cash advance payment process. Funds expended by sub-grantees not on cash advance are reimbursed on a monthly basis.

**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).

**F. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Title to equipment purchased by a local grantee vests in the local grantee. Local governments shall follow the A-102 Common Rule for equipment acquired. Non-profit grantees shall follow the provisions of OMB Circular A-110 for equipment acquired. Both local governments and non-profit grantees shall also follow 10A NCAC 97C .0702 and the CSBG contract Attachment G.

**H. PERIOD OF AVAILABILITY OF FEDERAL FUNDS**

The contract period is one year and extends for the period July 1 through June 30.

**I. PROCUREMENT AND SUSPENSION AND DEBARMENT**

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/grants/chart.html.

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.doa.state.nc.us/PandC/agpurman.htm#P6_65.

**J. PROGRAM INCOME**
All grantees that earn program income from CSBG funded services must follow the guidance in the 2 CFR 215.24 (OMB A-110) and the North Carolina Administrative Code 10a NCAC 97C .0603 PROGRAM INCOME. Program income means gross income earned by a grant recipient from activities in which part or all of the cost is either borne as a direct cost by contract from the Office or counted as a direct cost towards meeting a cost sharing requirement of such contract.

L. REPORTING

Grantees are required to submit the following information to the OEO:

1. A monthly financial status report, submitted by the tenth working day of the month to cover the preceding month’s expenditures,

2. Client information and accomplishments as specified in the Accountable Results for Community Action database used by Grantees who operate Self-Sufficiency/Case Management Projects,

3. Grantees operating projects other than Self-Sufficiency are required to submit the Grantee Project Review Report (OEO Form 240) by the tenth working day of the month following the end of each quarter,

4. All Grantees are required to submit the OEO Year End Report of Project Outcomes to the Office of Economic Opportunity by July 31.

M. SUBRECIPIENT MONITORING

Recipients are responsible for managing and monitoring each project, program, sub-award, function or activity supported by the award. Recipients shall monitor sub-awards to ensure sub-recipients have met the audit requirements as outlined in 2 CFR Part §215.26. Additionally, under the NCGS 143C-6-21 grantees are responsible for managing and monitoring each project, program, or activity supported by grant funds and each sub-grantee project, program, or activity supported by grant funds as sub-grantees are subject to all conditions of the grantee’s contract with the State.

N. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

   **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 Notarized 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 local 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.