



STATE OF NEW YORK
DEPARTMENT OF STATE
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GEORGE E. PATAKI
GOVERNOR

**COMMUNITY SERVICES BLOCK GRANT
POLICY MEMORANDUM 2002-02
REISSUED MARCH 2006**

TO: CSBG Grantees – Executive Directors/Chief Executive Officers
CSBG Grantees – Board Chairs/Presidents
NYSCAA – Executive Director and Board President

FROM: Evelyn M. Harris, Director

DATE: March 15, 2006

SUBJECT: Program and Fiscal Policy and Procedures

This update is provided as a reminder that Policy Memorandum 2002-02 remains in effect. Minor modifications are included to reflect changes implemented and new federal or state requirements.

STATUTORY RESPONSIBILITIES:

The Department of State, Division of Community Services is designated by the Governor of New York as the State CSBG Office. The responsibilities of this office for grantee oversight, covered by PL 105-285 as amended include, but are not limited to: board composition, board selection, compliance with federal assurances, community action plans, comprehensive assessments and fiduciary responsibility. In addition, the Department of State (DOS) houses the Division of Corporations, where grantees must file amendments to their certificates of incorporation. DOS has the responsibility to ensure that Not-For-Profit Law is not compromised. Other directives and statutory requirements also apply, such as Executive Law, Article 6D, Office of Community Services Informational Memoranda, Office of the State Comptroller Vendor Responsibility Questionnaire, Charities Registration, and contractual requirements.

MONITORING:

DOS established a monitoring process, *CSBG Guide to Monitoring*, in which certain operating assumptions are made:

- Grantees are private not-for-profit corporations or units of local government having years of experience in providing direct services at the local level.
- Grantees are responsible for using resources efficiently, economically and effectively to achieve the purposes for which the resources are provided.
- Grantees are accountable to the individuals and families in the communities and neighborhoods served, the public and each funding source.
- Grantees are responsible for establishing and maintaining an effective internal control system to assure that: appropriate goals and outcomes are met; resources are safeguarded; laws and regulations are followed; and, reliable data are obtained, maintained and fairly disclosed.

DOS is responsible for effectively administering CSBG and assuring the quality of services provided to low-income people. In carrying out this responsibility, DOS is obligated to review overall operations of each grantee, and to report on findings which may have a detrimental impact on the ability of a grantee to effectively serve its designated constituency.

As a result of information gathered during on-site monitoring and assessments, and in light of fiscal crises in several agencies, additional measures became necessary. In addition to the ongoing program and fiscal monitoring, attendance at board and committee meetings and comprehensive on site assessments, DOS will implement a much stronger, proactive approach to enforcing requirements of OMB Circulars A-110, A-122, A-133, and all other state and federal requirements. **These additional measures were effective October 1, 2002 and modified March 2006.**

PROCESS USED IN 2002

A draft policy memo was provided to the CSBG Advisory Council on June 25, 2002 and shared with all grantees via e-mail on June 26, 2002. During the Advisory Council meeting, council members and grantees provided suggestions and recommendations. In addition, grantees commented by e-mail and telephone. The majority of the comments were positive and supported these additional measures needed to increase accountability. However, some grantees expressed concerns. A summary of the concerns and DOS responses are listed below.

Proposed Policy – A

Financial Reports to Grantee Boards: Each grantee will be required to provide the board with a financial report at each board meeting that includes, at minimum: budgeted amount per line item, expended amount, and revenues received for each major program or major funding source. Each report will also include a balance sheet. A copy of each report will be submitted to the assigned DOS fiscal representative.

Comments: *Grantees commented that the level of detail required for reports by line item would, in some cases, exceed 200 pages. This type of reporting would be burdensome, board members could not easily read and digest the information and the report would not provide the desired results.*

Revised Policy – A

This policy remains in effect.

Financial Reports to Grantee Boards: Each grantee will be required to provide the board of directors with a financial report at each meeting. The report should include revenues received and expended for each major program or major funding source. In addition, the attached form, provided by Schoharie County Community Action Program, can be used as a guide. Grantees will be required to submit to their assigned DOS fiscal representative a copy of the report with supporting documentation. Reports will be reviewed, and in those cases where DOS determines that adequate information is not being provided, DOS will provide direction as necessary.

Proposed Policy – B

This policy was deleted and reclassified as a procedure.

Program Analysts Fiscal Review: In addition to the reviews conducted by the DOS fiscal representative, the program analyst will meet with the executive director or chief executive officer at least twice each year to complete a fiscal survey. The analyst will use the attached document for this purpose and the information will be shared with the assigned DOS fiscal representative.

Comments: *Grantees commented that this effort would duplicate work done by the DOS fiscal representative. This policy appears to be a way to assess the knowledge of the executive directors/CEOs and would require additional verification. The “yes and no” responses do not provide adequate information. The proposed survey form was intended for use by a board treasurer on a monthly or quarterly basis.*

DOS Response: This item will be deleted from the policy memo. The survey form is proposed for use by grantees as a guide for reporting to the board of directors. A copy of the completed form will be submitted to DOS fiscal representatives along with other fiscal reports submitted to the board. The questions were also added to the E-ROMA comprehensive on-site assessment conducted in 2003-2005.

Proposed Policy – C *This policy was implemented and remains in effect.*

Contract Language “Recipient Obligations”: Language will be added to the CSBG contract for FFY 2004 to require each contractor to assure the professional management and financial expertise necessary to ensure compliance and to provide the programs and services in accordance with the CSBG Assurances.

Comments: *Grantees stated that additional information or clarification would be needed. The language would be subject to interpretation. What specific requirements would be necessary to ensure professional management and financial expertise? What are the consequences?*

DOS Response: The language was included in the FFY 2004 contract. All New York State Agreements require contractors, “to make available necessary qualified personnel, licenses, facilities and expertise to perform or have performed the services required pursuant to the terms of the agreement.” Should a grantee fail to provide adequate management or financial control, this would result in an event of default.

Proposed Policy – D

Finance Committees: CSBG grantees are required to have operating finance committees that meet regularly. A copy of committee meeting minutes and all supporting documents should be forwarded to the assigned DOS fiscal representative.

Comments: *Grantees were concerned that DOS would mandate bylaw revisions to create finance committees. Some grantees use the executive committee as the finance committee; others use the board as a committee of the whole. The majority of the comments on this item were positive and grantees stated that they were already carrying out this function and had no difficulty with the requirement.*

DOS Response: The intent is to implement procedures to enhance the board’s ability to carry out its fiduciary responsibilities and to provide more information so that DOS can intervene, if necessary. The oversight of fiscal policies, internal controls and safeguarding the assets of the corporation are vital to the survival of CSBG grantees. The Grantee Review and Assessments documented that many agencies were not carrying out the functions of a finance committee, and others were not complying with their bylaws.

Revised Policy – D *This policy remains in effect.*

Finance Committees: CSBG grantees are required to have finance or audit committees that meet regularly to review and guide the fiscal functions, policies, and practices of the grantee. A copy of committee meeting minutes and supporting documents should be made available to DOS representatives. When necessary, DOS will direct grantees to take actions necessary to carry out this function, including a requirement to amend the bylaws.

Proposed Policy – E *This policy was reclassified as a procedure and remains in effect.*

Periodic Meetings With Other Funding Sources: DOS personnel will obtain from each grantee a list of funding sources with contact persons, telephone numbers and e-mail addresses. DOS will be responsible for facilitating periodic regional or statewide meetings to share information regarding agencies’ strengths, issues, concerns and technical assistance needs.

Comments: *Grantees expressed concern that this policy would have a negative impact, lead to a “witch hunt” and would only focus on negative aspects of a grantee. A grantee recommended that these meetings be statewide not local. Others stated that other funders have little or no interest in CAAs.*

DOS Response: It is expected that this effort will increase collaboration with other state agencies. In addition, if problems arise, they can be addressed early and uniformly. The item was removed as a policy and added to items listed under procedures.

Proposed Policy – F

Use of CSBG Funds to Supplement Other Programs: The use of CSBG funds to support other programs must be approved prior to use by board resolution and by DOS. If CSBG funds will be used to supplement the cost of a program for which an application or contract must be approved by another funding source, the application or contract must include a letter from DOS approving the use of CSBG funds. Adequate documentation must be provided to support any change in the use of CSBG funds to supplement other programs. Absent such prior approval, use of CSBG funds to cover over expenditures of other grants will be disallowed.

Comments: *This item generated the most comments. Most grantees strongly objected to this policy. Grantees expressed fear that the requirement for DOS approval would delay the submission of grant applications. Grantees recommended that the CSBG work plan should be adequate or the additional information should be included in the work plan. Others stated that DOS could not dictate to other funders what should be included in grant applications. Grantees stated that DOS has overstepped its bounds. Others commented that some funders will not accept additional information and may even reject the application.*

DOS Response: We believe it is prudent for DOS to have prior knowledge of how grantees are using CSBG funds. The work plans currently submitted do not provide adequate information when CSBG funds are used to supplement the cost of other programs. There are many incidences of CSBG funds being used to cover over-expenditures or to hide the true cost of operating certain programs. During the Grantee Review and Assessments, when grantees were asked about the importance of CSBG to achieving long-range plans, most of the answers focused on the use of CSBG to “support” other programs, such as, Head Start, Weatherization and FEMA.

Revised Policy – F *This policy remains in effect.*

Use of CSBG Funds to Supplement Other Programs: The use of CSBG funds to supplement the cost of operating other programs must be approved by DOS. If CSBG funds will be used to supplement the cost of a program for which an application or contract must be approved by another funding source, the application or contract must include written approval from DOS. If such documentation is not necessary to be included in the application, the written approval should be kept on file. Absent such prior approval, use of CSBG funds to cover over expenditures of other grants will be disallowed. Adequate documentation must be provided to support any change in the use of CSBG funds to supplement other programs.

Proposed Policy – G

Board Presidents’ Roundtable: A Board Presidents’ Roundtable will be established. DOS will work with NYSCAA and the Council of Community Services to organize and conduct a roundtable for board presidents and treasurers to address the following:

- leading multi-funded agencies;
- ensuring fiscal integrity when dealing with multiple funding sources; and,
- maintaining the visions and values of community action, while dealing with crises.

Comments: *Grantees expressed concerns that attendance would be mandatory and the requirement would be included in the CSBG contract. Some grantees took “offense” to the suggestion because it did not take into consideration the fact that their boards were fully trained. Others recommended coordination with training offered by the Council of Community Services.*

DOS Response: Meetings with the board representatives **will not** be included in the CSBG contract. Attendance will not be mandatory. However, DOS will encourage the full and active participation of all invited. The item in the memo did not address training. When training is planned, it will be coordinated with NYSCAA and other providers.

Revised Policy – G

This item is not a policy. Therefore, it will be removed and placed with items listed under procedures.

PROCEDURES: *Effective 2002 and remain in effect.*

As part of program and fiscal monitoring, DOS personnel will review monitoring reports from other funding sources, including notice of noncompliance or disallowed costs, notices of default, and comprehensive assessments, such as PRISM.

DOS personnel will obtain from each grantee a list of funding sources with contact persons, telephone numbers and e-mail addresses. DOS will be responsible for facilitating periodic regional or statewide meetings to share information regarding agencies' strengths, issues, concerns and technical assistance needs.

DOS personnel will review use of CSBG funds to assure compliance with A-122, and with grantees' travel policies. There will be a specific focus on use of CSBG funds for travel of personnel not listed on the approved CSBG budget. An updated copy of grantees' travel policies should be on file with DOS.

During July and August 2002, CSBG program analysts reviewed contracts and MOUs with other agencies where CSBG funds support or supplement those programs, services, and activities. Staff verified the justification for use of CSBG and the outcomes achieved. This activity will be conducted at least once every three years.

DOS fiscal representatives will review approved indirect and cost allocation plans against expenses applied. Agencies must provide a copy of the current allocation policy to both the fiscal and program representatives.

A Board Presidents' Roundtable will be established. DOS will work with NYSCAA and the Council of Community Services to organize and conduct a roundtable for board presidents and treasurers to address the following:

- leading multi-funded agencies;
- ensuring fiscal integrity when dealing with multiple funding sources; and,
- maintaining the visions and values of community action, while dealing with crises.

NOTE: Planned regional roundtables were cancelled due to lack of participation. However, DOS awarded grants of \$5,000 to each grantee to conduct local board training and \$5,000 for strategic planning. DOS also provided a grant of \$50,000 to NYSCAA to work in collaboration with the Council of Community Services to develop a board training DVD and board manual/resource book. The DVD included history of community action, interviews with grantees' board and staff, staff from the New York State Attorney General's Office, along with training on roles and responsibilities of boards. DOS distributed a copy of the DVD to each grantee.

VERIFICATION OF COMPLIANCE WITH POLICIES AND PROCEDURES:

DOS staff will use a variety of methods to provide verification, including, but not limited to:

- Meetings with other funding agencies.
- On-site review of fiscal and management documents from all sources.
- Comparison of submitted financial reports with agency ledgers.
- Meetings with grantee auditors.
- Prepare financial status document checklist.
- Review of any and all corporate documents.
- Attendance at board and committee meetings.
- Internet research.

Attachment

cc: CSBG Advisory Council
CSBG Program Analysts
DOS Fiscal Representatives
Sara Lee, OCS

SAMPLE FORM FOR GRANTEE BOARDS OF DIRECTORS
FINANCIAL DIRECTOR'S/TREASURER'S REPORT

Monthly Checklist for Month Ending _____.

- | | <u>YES</u> | <u>NO</u> |
|---|--------------------------|--------------------------|
| 1) Is the trial balance in balance for this month? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) Have all bank accounts been reconciled for this month? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) Have all required payroll tax deposits been made? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) What is the balance in our line of credit account? | <input type="checkbox"/> | <input type="checkbox"/> |
| a) What is the interest due? _____ | | |
| b) Interest payment due date? _____ | | |
| c) Has the interest been paid? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) Number of full time employees at the end of the month? _____ | | |
| Any new employees this month? | <input type="checkbox"/> | <input type="checkbox"/> |

RECEIVABLES

- | | | |
|---|--------------------------|--------------------------|
| 6) Is vouchering to all grantors current? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7) Are all other billings current (contracts, rents, etc.)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8) Are any accounts receivable more than 90 days over due? | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, amount? _____ | | |

PAYABLES

- 9) What is the amount of accounts payable more than 90 days old? _____
- a) This amount is comprised of _____ invoices.

FINANCIAL REPORTS

- | | | |
|---|--------------------------|--------------------------|
| 10) Has the board treasurer been given quarterly financial reports: | | |
| a) Revenue and Expense Statement? | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Quarterly Trial Balance? | <input type="checkbox"/> | <input type="checkbox"/> |

TAX RETURNS

- | | | |
|---|--------------------------|--------------------------|
| 11) Have appropriate tax returns or extension been filed? | <input type="checkbox"/> | <input type="checkbox"/> |
| a) Form 990 - Return of organization exempt from income tax | | |
| i) Due: | Filed: | |
| ii) Extension filed: | Granted until: | |
| b) Form 990T - Exempt organization business income tax return | | |
| i) Due: | Filed: | |
| ii) Extension filed: | Granted until: | |
| c) Form CT-13 - NYS unrelated business income tax return | | |
| i) Due: | Filed: | |
| ii) Extension filed: | Granted until: | |
| d) Form CHAR497 - Annual financial report (charitable organization) | | |
| i) Due: | Filed: | |
| ii) Extension filed: | Granted until: | |
| e) Form 5500 - Annual return/report of employee benefit plan | | |
| i) Due: | Filed: | |
| ii) Extension filed: | Granted until: | |
| f) Form ST-102-A - NYS and local sales and use tax return | | |
| i) Due: | Filed: | |
| ii) Extension filed: | Granted until: | |
| g) Quarterly payroll tax returns | | |
| i) Due: | Filed: | |

EXPLANATIONS