

# **CSBG Monitoring Standards**

## **Introduction**

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The CSBG Act of 1998 requires that CSBG eligible entities be monitored at least once every three years by the state CSBG office. Monitoring is one of many block grant management responsibilities held by the state CSBG office. Monitoring is a good business practice because it can assist the over 1,000 CSBG eligible entities, predominately community action agencies (CAAs), to continually improve outcomes as they strive to adopt high impact strategies to end poverty. It is an important part of a strong partnership that should be forged between state CSBG offices, state CAA Associations and the eligible entities (from this point forward eligible entities will be referred to as community action agencies) to build capacity at the local level, and to provide training and technical assistance to community action agencies so that they can excel in working to eliminate poverty.

It must be noted that monitoring is one of many tools available to strengthen agencies' capacity and outcomes. Local agency internal assessments, such as the Community Action Partnership's Standards of Excellence, Head Start self-assessment, training and technical assistance, peer-to-peer exchanges, needs assessment, Community Action plans, and Results Oriented Management and Accountability are all tools that are essential to maintaining and strengthening agency capacity. Community Action leaders at the national, state, and local levels need to work together to ensure the Network is strong. Monitoring of community action agencies is a state responsibility but strengthening the capacity of community action agencies must be a shared responsibility among all members of the CAA network for it to be truly effective.

The National Association for State Community Services Programs (NASCSPP) has crafted the following *CSBG Monitoring Standards* as a framework for the development of strong and effective monitoring systems for the nation's community action agencies. Ongoing dialogue among the Network partners is essential to implementing the *CSBG Monitoring Standards*. Ongoing dialogue is also essential to customizing this document to meet the needs of each state and local network.

## **Standards**

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### **Mutual Respect**

In working with grantee boards, staff, and consultants, CSBG offices value and recognize the unique knowledge, ability, and independence of each person. CSBG offices are committed to treating all persons fairly and maintaining credibility by matching actions with words.

### **Open Communication**

Effective communication is key in facilitating good working relationships with partners, and CSBG offices are committed to keeping lines of communication open. The purpose of communication is to assist in developing solutions to problems, to share program improvement

ideas, and provide information on new developments in the anti-poverty field. CSBG offices communicate frequently through a variety of tools and media. CSBG offices are open to contact and are committed to listening to suggestions/concerns and to gaining an understanding of local operations and to assist locals in pursuing priorities.

### **Joint Problem Solving**

CSBG offices operate under the basic belief that a team approach to problem solving is in the best interest of all parties involved. CSBG offices sincerely believe that collectively the office and the agency can arrive at the best solution to any situation. Through a team approach to problem solving, CSBG offices think outside the traditional ways and come up with the best strategies for program development, conflict resolution, or compliance issues. CSBG offices want to promote an environment in which the office and all Community Action partners will be open to change and can work together in exploring options and developing mutually agreeable solutions. The goal is to have agencies function independently with CSBG office support in an effort to meet the needs of local communities within the parameters set by legislation.

## **Monitoring Practices**

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The states need to assess the health of the entire agency, not just program-by-program compliance. Such assessments include general oversight, desk reviews, and on-site reviews of the following: community action plan and/or contract, needs assessments, service delivery systems, administration and management systems, board and governance systems, and financial systems.

### **Practice 1 - State monitors should look at more than compliance with program rules and regulations.**

In assessing the health of an agency, state monitors cannot look solely at compliance with particular program standards. Individual agencies may have expertise in particular programs or services and may excel in any 'snapshot' view of the agency. However, the same agencies may be having difficulty in operating other programs, or may be delivering sub-standard services throughout the rest of the organization. State monitors need to take a systems view of each CAA, and note the quality of service delivery and program operations throughout the agency.

The overall health of a community action agency encompasses more than just a technical compliance with specific program mandates. In order for a CAA to be truly 'healthy,' it must be continually striving to find better ways to use programmatic resources to help people move out of poverty. Programs operated by a CAA must contribute to the agency's overall mission, and each program must achieve measurable outcomes that help to change the lives of low-income people. The extent to which a CAA sets performance goals within the ROMA framework, systematically collects and analyzes data on performance measures, and adjusts its short and long range plans based on that analysis constitutes significant evidence of a CAA's commitment to making a difference for the families it serves and the communities in which it works.

**Practice 2 - State monitors should assess the effectiveness of the board of directors.**

An effective board is critical to the overall health of an agency. When only a few board members regularly attend meetings, their agency is not being led by a fully engaged group of community members. The tri-partite structure of private non-profit and public community action board of directors ensures that voices from ALL segments of the community *have the opportunity to* participate in shaping the direction of the CAA. Without full participation, the CAA lacks valuable points of view in its decision-making process.

A board that does not clearly understand the mission of the agency cannot offer the kind of community-based leadership that is critical to the health of a CAA. A board that is not evaluating agency programs and operations fails to ensure agency resources are being used most effectively to produce the outcomes necessary to fight poverty within the community. A board that is not comfortable in honestly evaluating the executive director is not ensuring that the agency has effective leadership. A board that does not regularly review its own by-laws places the agency at risk of failing to operate within legal guidelines. A board that does not comprehend the financial status of the organization places the agency (and themselves) at the mercy of management staff.

**Practice 3 - State monitors should assess administrative and leadership capacity of agency management as it relates to meeting the Board of Director's goals.**

An effective CAA is flexible and responsive to the needs of individuals and the community it serves, as well as committed to its employees. Communication is evident and widespread in an effective CAA – staff know what is going on in the organization, what new initiatives are in place, and what new directions are being explored. They know the mission of the agency and their role in making the mission a reality. Work is distributed throughout the organization, with management support for the staff who do the day-to-day work of meeting the needs of low-income people. Monitors need to be able to assess the degree to which the management of a CAA is leading the organization towards more effective and responsive service delivery.

**Practice 4 - Monitoring Community Action Agencies is part of a process to strengthen CAAs and the entire Community Action Network.**

In order for the states to assess the health of Community Action Agencies, the state CSBG offices should adopt a systems approach to monitoring. Practices outlined above provide a framework for implementing a systems approach, and a framework for looking at a CAA as an entire system.

However, what are the states and CAAs to do with the information garnered from a systematic monitoring approach? The monitoring process should serve several purposes. The first is to provide the CAA with feedback about its programs, going beyond compliance to include an assessment of the agency's ability to change lives. A good monitoring should help an agency gauge its effectiveness in fulfilling its mission.

Secondly, the monitoring process should assist CAA leaders in making changes that will improve their organizations. An effective monitoring process can provide CAAs with both an 'early warning system,' and a best practices 'catalog.' By highlighting organizational systems that are under-performing or showing signs of stress, an agency-wide monitoring can help CAA managers take proactive steps to strengthen their organizations, before problems or crises arise.

By noting agency strengths, a systems approach to monitoring can help CAA leaders build upon those strengths - to do more of what they do best.

A third purpose is to provide the state with data that can be used to assess the statewide CAA network. States can note any recurring themes or trends across multiple agencies, and can respond on a statewide basis, rather than only on an agency-by-agency basis. For example, if the number of people moving on to self-sufficiency is declining state-wide, it would serve as a “red flag” to the state. Why are fewer people achieving success? Are there pockets in the state where this is more prevalent? Another example might be that there are a number of new CFO’s throughout the state, leading the state to provide a series of trainings to enhance the effectiveness of these individuals and strengthen financial systems throughout the state.

Moving beyond compliance provides states with the opportunity to build capacity in individual agencies and the entire statewide CAA network. This same concept applies on the national level as well. As states identify changing needs and trends, policy modifications and resource allocations can be identified to address the evolving needs on a national scope.

**Practice 5 – The State CSBG office should have a system in place to document and inform the agency of findings and/or deficiencies.**

Effective monitoring includes a follow up process. Upon completion of an on-site monitoring visit the monitor should conduct an exit interview with agency staff and/or Board leadership. During the exit interview strengths as well as areas in need of improvement, findings, and/or deficiencies should be discussed. Agencies should receive a timely written report after an on-site visit which will officially inform an agency of its status.

**Practice 6 – The State CSBG office should have a system in place to provide training and technical assistance when necessary.**

Effective monitoring includes providing training and technical assistance. The state office should have a means of providing training or technical assistance to agencies in need of assistance. This assistance may be provided by the state CSBG office directly, through a CAA association, a peer CAA, a local or national TA provider, and/or any other mechanism which is deemed appropriate.

## **Topic Areas to Review in CSBG Monitoring**

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State CSBG offices should monitor grantees in at least the areas listed below. State offices should develop state specific tools and methods to address these and other relevant areas. Monitoring tools and processes should be updated regularly to insure relevance and effectiveness.

**1. Governance - Public Law 105-285. Section 676B and Section 676(b)(10)**

- Board of Directors - composition, training, effectiveness, knowledge of roles & responsibilities, attendance, by-laws

**2. Planning** - Public Law 105-285. Section 676B(a)(1), Section 676B(b)(2), and Section 676(b)(11).

- Agency Mission, Vision, Values
- Strategic Planning, Evaluation, and Community Assessment

**3. Evaluation** - Public Law 105-285. Section 678E and Section 676(b)(12)

- ROMA Implementation (Board and staff) on an agency-wide basis as a framework for sound management
- Agency outcomes and performance measures
- Reporting to funders and to the Board of Directors
- Government Performance and Results Act (GPRA) implementation

**4. Partnerships** - Public Law 105-285. Section 676(b)(9)

- Coordination/collaboration/linkages with relevant partners
- Subgrantees/delegates

**5. Administrative systems and procedures** - Public Law 105-285. Section 678D. Fiscal Controls, Audits and Withholdings and Section 678F. Limitations on Uses of Funds and Section 678D.

- HR & personnel policies
- Records retention
- Technology implementation and planning
- Equipment and purchasing
- Conflict Resolution and grievance procedures
- CSBG Assurances and Prohibitions
- Review pending and past litigation

**6. Fiscal procedures** - Public Law 105-285. Section 678D and Section 678F

- Audit and results of previous/other monitoring/fiscal issues

## **Success Factors**

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Monitoring is perhaps the most difficult, sophisticated, and professional task that a CSBG office conducts. Only well trained staff should be doing this important work, which validates compliance with rules and regulations and links grantees to the resources they need to meet their mission. Monitors should be able to discern information beyond compliance vs. non-compliance. The art of discernment is essential when practicing effective monitoring. Yes, a board may be having board meetings; yes, there are minutes; yes, the required board paperwork

is in the files, but in looking beyond compliance, monitors need to be able to see if the board is nothing more than a rubber stamp; that they don't have an idea of the financial health of the agency, etc.

Monitors should have the depth of knowledge and skills to garner the respect of Community Action professionals. They need to be engaged in an ongoing process of professional development so that they can provide CAAs with up to date and useful recommendations about how an agency's systems can be improved. If monitors are to be part of an effort to strengthen the Community Action network, then they should be able to add value to the monitoring process.

Some suggested best practices for CSBG monitors to follow include:

1. Meet with the board as a whole, if possible;
2. Attend staff meetings and/or management meetings;
3. Take a tour of the office;
4. CSBG offices are encouraged to monitor grantees annually;
5. The CSBG office should conduct an annual risk analysis to prioritize monitoring visits
6. Review audit, 990's, balance sheet, and other financial papers and corporate documents as desk monitoring, prior to the visit;
7. Review last year's report and other available monitoring reports (Head Start, WX, LIHEAP);
8. When possible coordinate with other state offices and federal offices to review agency systems;
9. Monitors should avail themselves of fiscal training on a regular basis;
10. Monitoring tools should be updated as needed;
11. Findings should not be added to the monitor report if they were not discussed at the exit interview;
12. Have systems in place to effectively inform agency of status and provide technical assistance;
13. Understand the complexity of managing dozens of programs, each with its own guidelines and budgets; and
14. Understand the many management systems required to operate an agency, as well as the ways those systems must be applied to multiple programs and activities.

## Summary

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The guidance outlined above represents only the beginning of an effort by State CSBG administrators and the National Association for State Community Services Programs (NASCSPP) to strengthen the monitoring of the nation's community action agencies.

Further refinement of the *CSBG Monitoring Standards* may be necessary to respond to the changing needs of the Network. As monitors gain hands-on experience in systems monitoring, they will be able to add lessons learned in the field to this document.

Most important, however, is the need to develop a shared understanding of the *CSBG Monitoring Standards* and a shared sense of responsibility for their implementation throughout the Community Action network. Community Action leaders at the national, state, and local levels need to work together to ensure that an enhanced monitoring system becomes a valuable tool to increase the capacity of Community Action to help people and change lives. Monitoring of community action agencies is a state responsibility but strengthening the capacity of community action agencies is a shared responsibility among all members of the CAA network for it to be truly effective.

## **Appendix A:**

### **CSBG Review Components**

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States may want to consider the questions found below when monitoring agencies.

#### **Beyond Compliance**

- Is the agency constantly looking for new and better ways to do its work, or is the agency still doing what it did (and how it did it) five or more years ago?
- Is the agency striving to integrate service delivery throughout the organization by breaking down the ‘silos’ of program-specific delivery systems?
- Is the agency partnering with other agencies in the community to strengthen services and provide a community wide approach to address the needs of those seeking services? or
- Is the agency duplicating services already available in the community?
- Is a genuine, comprehensive needs assessment that results in a written report to the Board, completed at least every 3 years and subsequent annual updates reviewed annually by the Board?
- Does the Board use the Needs Assessment, outcome reports, and program evaluations to prioritize service needs, develop long-range strategic plan, and annually review and adjust the strategic plan?
- Does the Board ensure staff develops an annual implementation plan that reflects the long-range goals and strategies adopted in the long-range strategic plan?
- Is the agency’s management staff, including the CEO or Executive Director, evaluated (performance) at least in part, on the degree to which the agency achieves its long term goals and annual objectives?
- What changes or adjustments designed to make existing programs more effective or responsive have occurred within the last year?
- How does the agency systematically research innovative practices, programs, and approaches being administered at other local CAAs in the country?

## **Board of Directors**

The following questions can help gauge the effectiveness of each CAA board:

- Is the board active and engaged in fulfilling the mission of the agency? Is the board driving the strategic plans for the agency? Board members should be well-trained regarding their fiduciary responsibilities, and should be able to explain the agency mission clearly and with conviction.
- Has the board reviewed and updated its by-laws recently? Does the board follow the by-laws for such issues as board membership, removing board members for lack of attendance, etc.?
- Is there a quorum at most board meetings?
- Do the board minutes accurately reflect the actions taken at board meetings - including the exact wording of motions?
- Is the board a true policy-making body or does the board frequently wander into operational or procedural matters (micro-managing the agency)? Does the board serve primarily as a rubber stamp for the Executive Director?
- Is there an effective standing committee structure in place and are the standing committees actively performing their assigned duties?
- Does the board annually plan its work and evaluate its own performance?
- Does the board ensure that financial policies/procedures and personnel policies are reviewed annually and amended as needed?
- Are the board's by-laws consistent with its articles of incorporation?
- Has the board and/or assigned board committee conducted an annual performance evaluation of the Executive Director or CEO?
- Does the board ensure the agency is evaluating its programs at least every 3 years?
- Has the Board of Directors received all audit and/or monitoring correspondence from other funding sources as well as the letters the CAA sent responding to funding sources?

## **Administrative and leadership skills of agency management**

Questions that monitors can ask to assess the administrative and leadership skill in the agency include:

- How does communication flow within an agency? Who are the primary communicators and how do they let people know what is happening?
- What is the morale of the staff in the organization? What is the staff turnover rate over the past several years?
- What type of supervision does staff receive and how often do supervision sessions occur?
- What does the organization structure look like? How does each department/division/program within the agency contribute to the goal of helping people move out of poverty? Are there a few people who "control" the organization?

- Can staff articulate the mission of the agency?
- Does the agency have a strategic plan? Who was involved in creating it? Are staff aware of the plan and how their jobs contribute to fulfilling the plan?
- Is the Executive Director and/or management staff actively involved in community partnerships and collaborations (by engaging in collaborative efforts with community partners - not just attending meetings)? Or does the agency act like a 'lone ranger,' isolated from community partners and potential allies?
- Is a consistent performance appraisal of staff regularly conducted? When was the last time that staff were evaluated?
- Do program directors participate in the creation of and monitor their own budgets?
- What kind of reports are generated by program directors to assist them in managing their programs?
- Does each employee have a development/training plan? Is training encouraged and supported for all staff by the agency? Does the budget support this?
- How do program managers and/or staff address problems or concerns that have been identified in self-assessment or monitoring reports?
- How is ROMA outcome data used to evaluate the effectiveness of agency programs and the agency's capacity to achieve results?

### **Financial status**

Answers to the following questions can help monitors gain a clearer and more comprehensive picture of the agency's financial status:

- Does the agency conduct regular, timely reconciliation of its bank statements to its financial records?
- Ensure that the reconciliation report or forms are reviewed and initialed by someone not involved in the reconciliation itself, possibly the Executive Director or other senior management staff person assigned that responsibility?
- What is the ratio of current assets to current liabilities?
- What is the agency's cash position? Is a line of credit being used? Whose cash is the agency using for day-to-day operations? Does the agency maintain an unrestricted cash reserve equal to 3 months of salary/fringe costs? (Best practice)
- Are vendors calling frequently to complain about late payments? Are vendor payment checks being held for payment?
- Can the agency's fiscal staff prepare a balance sheet that includes all of the agency's accounts and programs? Can they explain what each number on the balance sheet means?
- Are financial reports to the Board, funding sources, program managers, etc., submitted promptly and accurately - and in a manner that presents financial information clearly and concisely so that fiscal data can be understood by lay persons without a financial

background? Do these reports include not only budget to expenditure comparisons but also data on revenue received and cash balances maintained?

- Does the organization have an agency-wide budget?
- Determine if the audit firm is truly “independent.” Have they performed any other professional services for the agency during the last 2 years? Does the agency regularly put audit services out to bid in an effort to avoid using the same audit firm for more than 3 consecutive years?

**State monitors should conduct an agency-wide financial assessment using the CAA’s A-133 audit and additional independent assessments of fiscal operations and procedures employed by the agency.**

Each community action agency is audited by an independent auditor according to OMB Circular A-133 standards. The A-133 audit furnishes information that can help state monitors assess the overall financial condition of the CAA. Each audit report should be reviewed in the context of an agency’s prior two years’ audits. Review of audits over time can provide a view of the agency’s ongoing fiscal condition and enable state monitors to note any trends in an agency’s financial status (i.e., Are the agency’s assets growing or decreasing? Is the agency losing sources of funding each year?). State monitors should also receive and review written copies of all management letters sent by an audit firm to a CAA to note any fiscal or management issues that need to be addressed. In reviewing the management letters, monitors need to follow up with the agency to determine if the issues identified in the management letter are being addressed.

An audit firm should conduct an exit conference with the board of directors or assigned board committee and should ensure that the board of directors receives any and all management letters. State monitors should confirm whether or not the agency actively involves the board of directors in this key fiscal process.

A fundamental component of an A-133 audit is that it be performed by an “independent audit firm.” State monitors should determine whether or not a particular audit firm has been used by an agency for many years without putting the audit contract out for bids. The existence of a long-term relationship with a particular CAA can call into question the independent status of a particular firm.

In addition to the guidelines listed above, it is important for State CSBG monitors to recognize that a “clean” A-133 audit does not necessarily guarantee that a CAA is fiscally sound. A-133 audits should be viewed as only one part of a review of the fiscal operations and procedures employed by the agency.

**State monitors should review monitoring reports from other funding sources.**

State monitors should keep abreast of program-specific monitoring efforts that are conducted by other funding sources. The ability of a CAA to meet the compliance demands and performance standards of all of its funding sources is a key indicator of the operational health of the organization. Head Start PRISM reviews, Weatherization monitoring reports, etc, contain critical information about the quality of service delivery, and offer insights into the management and other systems within the agency. State CSBG monitors should routinely receive and review copies of all monitoring reports from every CAA funding source.

In particular, CSBG monitors should examine whether or not the agency has developed and implemented formal plans to correct issues raised in audit and monitoring reports. The reports and corrective action plans should be reviewed to determine whether there is a pervasive year to year problem or pattern throughout the agency and whether the problem(s) get resolved. For example, if several reports identify fiscal issues, the monitor should take a critical look at the finance department to determine the cause of the problems.

CSBG monitors should also know whether or not an agency is in danger of losing one or more major programs, and if so, what action the agency is taking in response to such a potential loss.