



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

Community Services Block Grant Program

Texas State Assessment

On-Site Review

Final

February 23-27, 2009

Texas State Assessment

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Texas Community Services Block Grant

I. Executive Summary

The Community Services Block Grant (CSBG) program provides assistance to States and local communities, working through a network of Community Action Agencies (CAAs) and other neighborhood-based organizations, 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-funded programs create, coordinate, and deliver a broad array of programs and 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 Texas designated the Texas Department of Housing and Community Affairs (TDHCA) as the appropriate State agency to act as the lead agency for the administration of the CSBG program. The Texas CSBG program provides funding, technical assistance, and support to 53 eligible entities serving 254 counties. The CAAs provided an array of services according to the Community Action Plans (CAP) 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 for a State Assessment (SA) of the Texas Community Services Block Grant program and its eligible entities as evaluated by Federal staff of the Division of State Assistance (DSA), 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

State Assessments (SAs) are conducted to examine the implementation, performance, compliance, and outcomes of a State's CSBG program 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 December 21, 2007, OCS issued Information Memorandum 105, explaining that DSA would conduct both on-site and desk monitoring visits during Federal Fiscal Years 2008-2010. Federal staff conducted a desk review of the Texas CSBG program and its eligible entities from February 23-27, 2009. The evaluation included interviews and analyses of the data collected. As per the statute, the SA examines the State, and its CAA's assurances of program 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, including as it relates to employment and training activities, the Low Income Home Energy Assistance Program (LIHEAP), with 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;
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 CAA rules;
7. Appropriate fiscal and programmatic procedures to include a Community Action Plan from the CAAs 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.¹

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

1. Distribution methodology for 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 Program, including board governance, non-discrimination provisions, and political activities prohibitions.

Methodology

The State Assessment consists of two levels of evaluation by Federal staff:

1. Federal staff examined the State-level assurances, fiscal and administrative governance issues regarding the CSBG program in interviews and data collection with State officials.
2. Federal staff conducted desk assessments of the State's monitoring of the CAAs to determine compliance with assurances and governance requirements by gathering information from local agencies, engaging in additional interviews and data collection.

State-level interviews included the following Texas Department of Housing and Community Affairs officials: Ms. Amy Oehler, Director of Community Affairs Division; J. Al Almaguer, Senior Planner; Laura S. White, Program Development and Training Officer; David Cervantes, Director of Financial Administration; and Sandra Q. Donoho, Director of Internal Audit; Esther Ku, Manager of Accounting Operations; David Aldrich, Manager of Budget, Payroll and Travel; Kristinia Vavra Payroll Specialist.

OCS reviewers assessed the following entities: the Dallas Urban League, Dallas-Fort Worth, TX; Parks and Community Services Department, Fort Worth, TX; City of Austin, Austin, TX; Community Action Agency, Inc. of Hayes, Caldwell, and Blanco Counties; City of San Antonio, San Antonio, TX.

Office of Community Services reviewers included: Frances Harley, Financial Operations Team Leader; Isaac Davis, Program Specialist; Michael Pope, Auditor; and Emmanuel Djokou, Auditor.

¹ 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 programs, including:

- Administrative, program and financial operations for the State and the CAAs assessed;
- Brochures and literature on services provided;
- The most recent CSBG Financial Summary Report;
- SF 269 report for Fiscal Year (FY) 2006 showing total funds authorized;²
- Audited Financial Statements; and
- The Texas State CSBG Plan.

Fiscal and Governance Operations

The CSBG statute requires that each State designate a lead agency to administer the CSBG program, and that the lead agency should provide oversight of the local entities that administer programs in the communities. The Governor designated The Texas Department of Housing and Community Affairs (TDHCA) as the lead agency to administer the CSBG program. In FY 2006, the State allocated 90 percent of CSBG funds to the eligible entities and CAAs. The State used five percent for discretionary, five percent for training and technical assistance and funding to eligible entities to address non-traditional community needs. OCS reviewers were unable to follow the Federal funds in the general ledger.

Based on the support documents provided by the State, the OCS reviewers were unable to determine whether the State had a system in place to accurately validate the information certifying that individuals were served at 125 percent of poverty, which is based on annual income.

Table 1 illustrates the distribution of Federal funds allocated in Texas.

Use of FY 2006 Funds: Texas		
Uses of Funds	Amount Expended	Percentage of Expenditures
Grants to Local Eligible Entities	\$27,187,769	90%
Administrative Costs	\$ 1,188,752	5%
Discretionary Projects	\$ 1,305,387	5%
Total Used in FY 2006	\$29,681,908	100%

² The SF 269—Short Form is used to report the amount of program income earned and the amount expended.

Table 1

According to TDHCA, administrative expenditures were used for the management and monitoring oversight of the program. Discretionary funds were disbursed to the CAAs for their use based on their community needs assessment. However, OCS reviewers were unable to adequately verify the expenditures using CSBG funds. The State should ensure that financial records are complete for review in accordance with the statute.

Administrative Monitoring and 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 the CAAs has a system of governance, financial and human resource management, program and service delivery, and community relations. The State requires the CAAs 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.

Financial Monitoring and Accountability

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. The State recently changed its monitoring schedule from once every three years to annually. 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 CAA 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. Not all site visits require a focus on the entire CSBG program but they may focus on specific areas during the State's assessment the review of the other Federal grant programs such as Low Income Home Energy Assistance Program (LIHEAP); Results Oriented Management and Accountability (ROMA); board issues; or training and technical assistance.

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 the CSBG program.

TDHCA Division Standard Operations and Procedures Manual outline the State's monitoring procedures, and objectives. The Community Services Section under the Community Affairs Division is responsible for conducting on-site program monitoring visits at least once every three years. On-site monitoring reviews are conducted to meet the following objectives: Review of sub-recipient performance; Review compliance to applicable State and Federal regulations, policies and statutes; To prevent fraud and abuse; and to identify technical assistance needs. The CAAs and eligible entities are identified in Table 2 (on the following page).

Table 2

Texas Visits		
Agency Name	On-site Visits	Counties Served
Asociacion Pro Servicios Sociales	N/A	Jim Hogg, Starr, Webb, Zapata
Aspermont Small Business Development Center, Inc.	September 5-8, 2006	Haskell, Jones, Kent Knox, Stonewall, Throckmorton
City of Austin Health and Human Service Dept.	N/A	Travis
Bee Community Action Agency	October 16-19, 2006	Aransas, Bee, Kenedy, Live Oak, Refugio
Big Band Community Action Committee, Inc.	September 11-14, 2006	Brewster, Culberson, Hudspeth, Jeff Davis, Preidio
Brazos Valley Community Action Agency	September 11-14, 2006	Brazos, Burleson, Chambers, Grimes, Leon, Liberty, Madison, Montgomery, Robertson, Walker, Waller, Washington
Cameron and Willacy Counties Community Projects, Inc.	April 25-28, 2006	Cameron, Willacy
Caprock Community Action, Inc.	August 8-11, 2006	Crosby, Dickens, Floyd, Hale, King, Motley
Central Texas Opportunities, Inc.	August 7-9, 2006	Brown, Callahan, Coleman, Comanche, Eastland, McCulloch, Runnels
Combined Community Action, Inc.	June 19-22, 2006	Austin, Bastrop, Colorado, Fayette, Lee
Community Action Committee of Victoria Texas	N/A	Calhoun, De Witt, Golland, Gonzales, Jackson, Lavaca, Victoria
Community Action Corporation of South Texas	September 25-28, 2006	Brooks, Jim Wells, San Patricio
Community Action Inc., of Hays, Caldwell and Blanco Counties	N/A	Blanco, Caldwell, Hays
Community Action Program, Inc.	N/A	Mitchell, Shackelford, Stephens, Taylor
Community Action Social Services & Education	December 18-21, 2006	Maverick
Community Council of Reeves County	August 21-24, 2006	Loving, Reeves, Ward, Winkler
Community Council of South Central Texas, Inc.	October 23-26, 2006	Atascosa, Bandera, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, Wilson
Community Council of Southwest Texas, Inc.	May 30-June 2, 2006	Edwards, Kinney, Real, Uvalde, Val Verde, Zavala
Community Services Agency of South Texas	October 10-13, 2006	Dimmit, La Salle
Community Services of Northeast Texas, Inc.	N/A	Bowie, Cass, Marion, Morris, Camp
Community Services, Inc.	May 1-3, 2006	Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwell, Van Zandt
Concho Valley Community Action Agency	November 6-9, 2006	Coke, Concho, Crockett, Irion, Kimble, Menard, Reagan, Schleicher, Sterling, Sutton, Tom Green
Dallas Urban League	N/A	Dallas
Economic Action Committee of The Gulf Coast	September 26-28, 2006	Matagorda
Economic Opportunities Advancement Corporation of Planning Region XI	July 25-28, 2006	Bosque, Falls, Freestone, Hill, Limestone, McLennan
El Paso Community Action Program, Project BRAVO, Inc.	N/A	El Paso

City of Fort Worth Parks & Community Services Department	N/A	Tarrant
Galveston County Community Action Council, Inc.	September 11-14, 2006	Brazoria, Fort Bend, Galveston, Wharton
Greater East Texas Community Action Program	May 15-18, 2006	Angelina, Cherokee, Gregg, Houston, Nacogdoches, Polk, Rusk, San Jacinto, Smith, Trinity, Wood

Texas Visit		
Agency Name	On-site Visits	Counties Served
Guadalupe Economic Services Corporation	N/A	Bailey, Briscoe, Castro, Cochran, Crosby, Deaf Smith, Dickens, Floyd, Garza, Hale, Hall, Hockley, Lamb, Lubbock, Lynn, Motley, Parmer, Swisher, Terry, Yoakum
Gulf Coast Community Services Association	N/A	Harris
Hidalgo County Community Services Agency	April 10-13, 2006	Hidalgo
Hill Country Community Action Association, Inc.	August 21-24, 2006	Bell, Coryell, Hamilton, Lampasas, Llano, Mason, Milam, Mills, San Saba
City of Lubbock Community Development Department	November 13-16, 2006	Lubbock
Northeast Texas Opportunities, Inc.	October 9-12, 2006	Delta, Franklin, Hopkins, Lamar, Rains, Red River, Titus
Nueces County Community Action Agency	N/A	Nueces
Panhandle Community Services	August 14-17, 2006	Armstrong, Briscoe, Carson, Castro, Childress, Collingsworth, Dallam, Deaf Smith, Donley, Gray, Hall, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Palmer, Potter, Randall, Roberts, Sherman, Swisher, Wheeler
Pecos County Community Action Agency	December 4-7, 2006	Crane, Pecos, Terrell
Rolling Plains Management Corporation	N/A	Archer, Baylor, Clay, Cottle, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger, Young
City of San Antonio Department of Community Initiatives	November 1-3, 2006	Bexar
Sin Fronteras Organizing Project	N/A	El Paso
South Plains Community Action Association, Inc.	N/A	Bailey, Cochran, Garza, Hockley, Lamb, Lynn, Terry, Yoakum
South Texas Development Council	N/A	Jim Hogg, Starr, Zapata
Southeast Texas Regional Planning Commission	N/A	Hardin, Jefferson, Orange
Texas Homeless Network	N/A	Statewide
Texas Neighborhood Services	October 23-26, 2006	Erath, Hood, Johnson, Palo Pinto, Parker, Somervell, Wise
Texoma Council of Governments	July 25-28, 2006	Cooke, Fannin, Grayson
Tri-County Community Action, Inc.	N/A	Harrison, Jasper, Newton, Panola, Sabine, San Augustine, Shelby, Tyler, Upshur
Webb Count Community Action Agency	June 5-8, 2006	Webb
West Texas Opportunities, Inc.	November 27-30, 2006	Andrews, Borden, Dawson, Ector, Fisher, Gaines, Glasscock, Howard, Martin, Midland, Nolan, Scurry, Upton
Williamson-Burnet County Opportunities, Inc.	June 12-15, 2006	Burnet, Williamson

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, OCS reviewers determined that State has reasonable and responsible internal controls for conducting monitoring reviews for its eligible entities.

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

The Fiscal Office operates on behalf of the State, preparing monthly reports that are the primary tools for evaluating allowable expenditures and tracking budget line items. According to the State, monthly reports are prepared by the State's Financial Administrator. Eligible entities and CAAs are encouraged to use an electronic transfer system for fund reimbursements. OCS reviewers examined the available monthly reports and a sampling of the subsequent CSBG disbursement from randomly selected eligible entities and CAAs. Administrative costs include salaries and benefits for employees paid with CSBG funds. Hours charged to the CSBG program vary weekly based upon the amount of time spent working on CSBG-related program.

OCS reviewers examined a sampling of the hours charged for CSBG-related projects and how the recorded time is processed through payroll. TDHCA issues credit cards for employee expenditures.

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).

According to 45 CFR §92.20 (b)(6), accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subcontract award documents.

According to 45 CFR §92.42 (4)(e), The awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and sub-grantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

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 CAA Executive Director and Boards of Directors. The CAA Boards of Directors are required to respond to the notification letter within 30 days with a written Corrective Action Plan (CAP) that addresses the findings. Audit Office staff must review and approve the CAP. The CAA's failure to respond within the allotted timeframe 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. The OCS reviewers had no findings for technical assistance.

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 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. The State's auditing firm also considers the government auditing standards promulgated by the Comptroller General, U.S. Government Accountability Office, in the performance of their duties.

The Office of the State Auditor has completed their most current audit of selected accounts included on the financial statements of the State ending August 31, 2005. The State Auditor concluded that no matters involving State internal control over financial reporting and its operations were considered to be material. The results of their tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*. A copy of the audit report was provided to OCS reviewers.

OCS reviewers examined the FAC 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 also recognize that the State adheres to the accounting principles and financial reporting standards established by the Governmental Accounting Standards Board³

Recapture and Redistribution

The State has certified in the State's CSBG plan that it adheres to Section 678C of the CSBG statute. The State implemented a policy to recapture and redistribute funds to CAAs that were unobligated at the end of a fiscal year if such funds exceed 20 percent of the amount for that fiscal year. OCS reviewers found no instances of noncompliance.

Carryover Balance

States may recapture and redistribute funds to an eligible entity that are unobligated at the end of a fiscal year if such unobligated funds exceed 20 percent of the amount distributed to the eligible entity. States must redistribute such funds to an eligible entity, or require the original recipient of the funds to redistribute the funds to a private, nonprofit organization, located within the community served by the original recipient of the funds, for activities consistent with the purposes of the CSBG Act.

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 Short Form, SF-269A. The first report is due 90 days after the end of first year (i.e. December 30, 2006). Financial Status Reports (FSRs) were due December 30, 2007. Failure to submit reports on time may be the basis for withholding financial assistance payments, suspension, or termination of funding. During our assessment, OCS

³ 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).

reviewers noted the State did not submit its Financial Status Report (FSR) in accordance with 45 CFR §92.40, §92.41, and §96.30(b)(4).

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 2006 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.

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. Each year, the State's CSBG State Plan is sent to the CSBG Advisory Committee, the State General Assembly, and all eligible entities. In conjunction with the development of the State Plan, the State holds at least one public hearing. For FY 2005-2006, the plan was available from September 20 through October 30, 2004 for public review and comment. Legislative Public Hearings were held on September 27, 28, 29 and 30, 2004 with the State Legislature's Joint Labor, Health, and Social Services Interim Committee. The Intended Use Report was made available on the TDHCA website or by written request to the Texas Department of Housing and Community Affairs.

Tripartite Boards

The State requires CAAs to submit a listing of their Tripartite Board membership prior to being approved to administer the CSBG program. CAAs 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. The remaining members are public officials or 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.

The CAAs must have their 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 Board 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 CAAs 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 bylaws consistent with the agency's mission;
- Establishing accounting systems and fiscal controls consistent with general 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 Federal and State law, each CSBG grantee, in order to be in full compliance, is required to adhere to the composition, documentation, bylaws, board manual, and board meeting minutes as detailed in the CSBG Act of 1998, Section 676B. The State CSBG office is required to monitor board composition and follow-up with the CAAs when representation needs to be adjusted. The State assured OCS that the CAAs adhere to the statute regarding Tripartite Boards by providing information regarding the requirements of a Tripartite Board to each eligible entity in three documents: 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 monitoring and approving the Tripartite Board certifications.

Additional Administrative or Fiscal Operations Findings

The State is required to maintain a current financial procedures manual in order to meet fiscal standards set forth by Federal regulations. Financial reports are required monthly. 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 C.F.R. § 96.30 Fiscal and administrative requires: (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. OCS reviewers were unable to adequately validate the following: 1) all requested documents; 2) statistical sampling of the State's General Ledger to determine if CSBG expenditures were allowable, allocable, and supported by documentation; and 3) the State's accounting reports, when requested.

The OCS reviewers' analyses of the State's records and procedures that included administrative, financial, and programmatic operations, determined that \$508,121.41 of Program Allocation funds and \$480,802.33 of Administrative Allocation funds were held beyond the grant period ending on September 30, 2007. According to 45 C.F.R. § 96.14(a)(2), no funds may be obligated after the end of the fiscal year following the fiscal year for which they were allotted.

The State needs to comply with policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect cost charged to CSBG funding stream and expenditures in accordance with Federal regulations.

Program Operations

The State reported demographic information on individuals who received services using CSBG funds in FY 2006. CAAs operate numerous programs designed to meet the needs identified in their respective service areas. Due to different local needs, not all CAAs provide services in all priority areas. During this State Assessment, agency records were reviewed to assess actual services provided. The assessment instrument addresses 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, T&TA grants, T&TA grant review, and agency postings (i.e., worker's compensation, client appeals).

The eligible entities operate numerous programs designed to meet the needs identified in their respective service areas. Because the demographic data show different local needs, not all eligible entities can provide extensive services in all priority areas. Supportive services and community outreach projects provided by the entities respond to low-income worker's health care. The State and CAAs categorize their expenditures of CSBG funds according to the statutory list of program 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 CAAs 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 Results Oriented Management and Accountability process, the grant agreement outlines the following requirements for the State's CAAs:

- 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 Texas community revitalization.

Table 3

CSBG Client Characteristics and Statistics Reported by State	
Race/Ethnicity By Number of Persons:	
Hispanic or Latino	174,361
African American	73,331
White	232,268
Other	769
Multi-race	1,587
Education: Years of Schooling by Number of Persons:	
0-8 years	47,407
9-12, non graduates	36,749
High school graduate/GED	49,820
12+ some postsecondary	13,849
2 or 4 year college graduates	6,798
Insured/Disabled:	
No Health Insurance	201,723
Disabled	47,376
Surveyed About Insurance	316,867
Surveyed About Disability	316,867
Households Headed By Single Parent:	
Female	36,902
Male	1,840
Two Parent Household	21,978
Single Person	37,489
Two Adults, No Children	13,395
Family Housing by Number of Families:	
Own	50,639
Rent	60,803
Homeless	1,905
Level of Family Income as Percentage of Federal Poverty Guideline by Number of Families:	
Up to 50%	52,764
51% to 75%	26,811
76% to 100%	19,483
101% to 125%	11,633
126% to 150%	3,355
151% or more	2,861

Detailed below are the program activities associated with CSBG funds as used by the CAAs in Texas for FY 2006.

Employment Programs

The State reported spending \$1,251,500 in CSBG funds to support a range of services designed to assist low-income individuals in obtaining and maintaining employment. These services 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 \$1,722,405 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 about adult education opportunities in 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 \$122,767 for CSBG-coordinated housing programs to improve the living environment of low-income individuals and families. CSBG-funded activities 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 \$13,252,598 for emergency services and crisis intervention. Crisis management services may include:

- Emergency temporary housing;
- Rental or mortgage assistance, 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 \$3,602,239 in CSBG funds to support nutrition programs. Specific nutritional services provided by the State's CAAs may include:

- Organizing and operating food banks;
- Supporting food banks of faith-based and civic organization partners with food supplies and/or management support;
- Counseling family and children's nutrition and food preparation;
- Distributing surplus USDA 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;
- Information/referral/counseling;
- Hot meals, such as breakfasts, lunches, or dinners for congregate or home delivery meals;
- Neighborhood and community gardens, community canneries and projects to help families and individuals preserve fruit and vegetables; and
- Nutritional training in home economics, child and baby nutrition, diets, and available federal or State programs.

Self-Sufficiency Programs

The State reported spending \$485,732 on self-sufficiency programs. Self-sufficiency programs offer a continuum of services to assist families in becoming more financially independent. Such programs generally 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 \$1,464,893 on CSBG-funded health initiatives. CSBG funds may be used to address gaps in the care and coverage available in the community. The eligible entity may use CSBG funds for health initiatives that include:

- Recruitment of uninsured children to a State insurance group or 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 \$1,595,704 on income management programs using CSBG grant funds. Services supported 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 \$4,577,186 on linkage initiatives. Linkage programs can involve any or all of a variety of local activities which CSBG supports because of the block grant's statutory mandate to mobilize and coordinate community responses to poverty. These 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 or other needed services, programs that bring services to the participants, such as mobile clinics or recreational programs, and management of continuum-of-care initiatives;
- The removal of the barriers such as transportation problems, that keep the poor from jobs or from vital everyday activities; and
- Support for other groups of low-income community residents who are working for the same goals as the CAAs.

At the local level, the CSBG program coordinates 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. The State's eligible entity will coordinate with other service providers and act as a focal point for information on services in their local area. They identify gaps in services and work with other providers to fill those gaps. The entity has organized meetings and participated in task forces with local service provider groups.

Programs for Youth and Seniors

The State's statistical report on the CSBG programs did not indicate a specific dollar amount spent for programs serving youth or 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. They 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.

Youth programs, in many cases, include such services as:

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

The chart below identifies the proportion of CSBG local expenditures devoted to the operational purposes noted above.

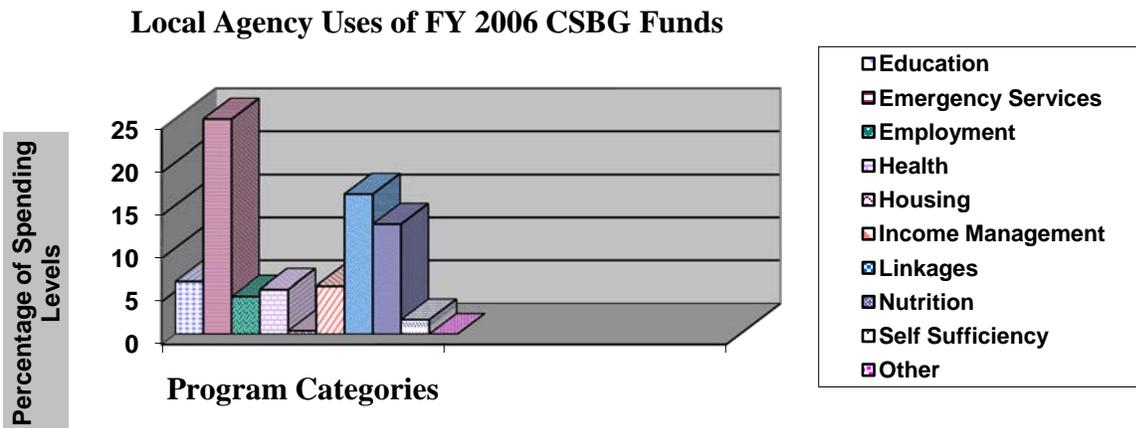


Figure 1 Local Agency Uses of FY 2006 CSBG Fund

Many areas in Texas were affected by hurricanes Katrina and Rita. In addition, many evacuees from the Gulf States were relocated to areas in Texas. As a result, the State increased concentration on emergency services and stabilization activities.

Results Oriented Management and Accountability (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 the Office of Community Services in consultation with the CSBG network called the Results Oriented Management and Accountability System, or ROMA. Alternatively, States may design their own similar system. States are to report to OCS their progress on the implementation of performance measurement practices.

III. CAA Onsite Review Summaries

Dallas Urban League

The Urban League of Greater Dallas (ULGD) is a private nonprofit organization located in Dallas, Texas that began operating in 2001. As the designated CAA, the ULGD has four locations, strategically implemented throughout Dallas County and covers 900 square miles. The FY 2006 total annualized budget for the ULGD was \$3,937,603 including a CSBG budget of \$2,155,365. Program services are implemented through their Urban League Community Service Centers. These Centers provide a foundation to enable low-income families and adults to move from poverty to self-sufficiency; improve their lives through community revitalization; own a stake in the community by identifying needs; establish and meet goals; learn, expand and navigate social service and other service networks through community needs assessment; and achieve family stability.

Dallas Fort-Worth

The City of Fort Worth (CFW) is located in Fort Worth, Texas. CFW is a non-profit CAA that began operation in 1983. As a designated CAA, the CFW has ten sites throughout the city. The CFW services area includes Tarrant County. The FY 2006 total annualized budget for the CFW was \$500,000,000 including a CSBG budget of \$1,127,467 with a total of 6,000 agency employees

including 20 Full Time CSBG employees. The CFW is one of the 48 CAAs providing services to low income families and individuals in Texas. Services may include self-sufficiency and emergency services that offers assistance to individuals and families with critical housing and employment needs.

City of Austin

The City of Austin (CA) is located in Austin, Texas, is a non-profit CAA incorporated under Article XI, Section 5 of the Constitution of the State of Texas. The CSBG grant provides administrative support to a network of local Community Action Agencies that provide services to very low-income persons. The City of Austin is considered the CAA for Travis County. The program provides funding for the delivery of basic needs, self-sufficiency, case management; and preventive health services for low-income residents through the city's six neighborhood centers and Travis County's five rural community centers. CA has a total annual budget of \$639,843,000 that includes a CSBG budget of \$803,132.

Community Action, Inc. Hayes, Caldwell, Blanco Counties (CAHCB)

Community Action, Inc. of Hayes, Caldwell, and Blanco Counties was established as a non-profit community action agency in 1965. The main office is located in San Marcos while three satellite offices serve the predominately rural population of Hays, Caldwell, and Blanco Counties. CAHCB's mission is to mobilize its resources and engage the community in order to move families out of poverty and to ensure their children success in school. CAHCB's two largest programs are Head Start and Adult Education. Client services are provided through referral to appropriate community service providers who are partnering agencies. State monitoring has been conducted bi-annually. CAHCB has a total annual budget of \$10,000,000 that includes a CSBG budget of \$300,000.

City of San Antonio

The City of San Antonio, Department of Community Initiatives (DCI) was established as the community action arm of local government in 1979. The headquarters is located in San Antonio with eight satellite offices located strategically throughout the metropolitan area. CSBG funded staff includes; management, administrative and casework staff. They are responsible for providing and coordinating services for clients in their field offices. The mission of the Department of Community Initiatives is to inspire self-sufficiency in individuals and families by respecting and recognizing their desire to make a difference for themselves and their families. DCI provides a wide range of direct services including; utility/rental assistance, case management, counseling, homeless services, education, employment counseling, transportation, and other supportive programming. DCI governance includes a CSBG Advisory Board, which is a Tripartite Board. DCI attends the State Annual Training Conferences, and is an active member of the State Association. The annual budget for the DCI for FY 2006 was \$138,218,541 which included the CSBG award of \$1,865,744.

IV. Assessment Findings and Recommendations

According to CFR §92.43(a) If a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may temporarily withhold cash payments

pending correction of the deficiency by the grantee or subgrantee or more severe enforcement action by the awarding agency.

According to Section 678D, a State that receives 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 items.

FINDING 1 – The State needs to comply with the policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect costs charged to CSBG funding stream and expenditures in accordance with Federal regulations.

Recommendation(s)

We recommend the State:

1.1 Comply with fiscal controls in accordance with State and Federal regulations and submit the 269's in accordance with 45 CFR §92.40, §92.41, 96.14 and §96.30(b)(4).

1.2 Revise and/or implement the State's Fiscal policy and procedures to improve fiscal controls for CSBG funding.

1.3 Provide a copy of the State policy regarding indirect and administrative cost(s) posted to the General Ledger.

1.4 Follow the State's policies for the disbursement of CSBG funds.

State's Comments:

Please refer to Attachment 1, Texas Department of Housing and Community Affairs report responses.

OCS Comment on Finding 1

After reviewing the SF 269, OCS sustains that the Financial Status Report was not submitted in accordance with Federal guidance. OCS on several occasions requested financial documents to be reviewed on or before site visit. Unfortunately, the information was not provided upon request at the time of the site visit.

According to Section 678D, a State that receives 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 items.

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 Short Form, SF-269A. The first report is due 90 days after the end of first year (i.e. December 30, 2006). Financial Status Reports (FSRs) were due December 30, 2007. 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 its Financial Status Report (FSR) in accordance with 45 CFR §92.40, §92.41, and §96.30(b)(4).

FINDING 2 - The State's criterion were not adequate for the issuance of performance awards to eligible entities and CAA's using CSBG funds during Fiscal year 2006.

Recommendation(s)

We recommend the State:

2.1 Provide OCS with the revised policies and procedures to specify the usage of CSBG funds for performance awards.

OCS Comment(s)

OCS sustains their findings with regards to the issuance of the performance awards to eligible entities during Fiscal Year 2006. During the on-site visit, the State did not provide the requested criteria CSBG Memorandum #04-12.04 dated June 18, 2004 (refer to Attachment 1).

After reviewing CSBG Memorandum #04-12.04, OCS determined that the State issued monetary performance awards to eligible entities and/or CAAs who did not meet the eligibility requirements. In addition, the State should ensure that eligible entities and/or CAAs are in compliance with OMB Circular A-133 and the following CSBG statute subsections:

SEC. 678C. Corrective action; Termination and reduction of funding.

SEC. 678D. Fiscal controls, audits, and withholding.

SEC. 678E. Accountability and reporting requirements

OMB Circular A-133, Single Audit Act of 1997

FINDING 3 - The State did not have processes to ensure that eligible entities and CAAs inform and/or refer custodial parents to Child Support services as required by CSBG statute.

Recommendation(s)

We recommend the State:

3.1 Develop and implement procedures according to the statute for referrals to the local child support office.

3.2 Develop and implement procedures that require CSBG grantees and subgrantees conducting case management to document referrals to local child support offices.

OCS Comment(s)

During the corrective action process, the State should provide OCS with a copy of the newly revised State rule(s) related to the requirement for eligible entities and CAAs to inform and/or refer custodial parents to Child Support services.

FINDING 4 - The State needs to ensure that all eligible entities and CAA's are in compliance with the income eligibility requirements for emergency services.

Recommendation(s)

We recommend the State:

4.1 Ensures eligible entities and CAA's verify income eligibility requirements for CSBG funded emergency service programs.

OCS Comment(s):

During the corrective action process, The State should provide copies of their policies and procedures for ensuring income eligibility, and the Declaration of Income Statement.

These are recommendations for the management and administration of the program that should be noted to continue the operations and administration of the CSBG program. The comments and edits received from the State of Texas have been incorporated into the report, and this report is now considered final. If you have any questions or comments, contact:

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