

Fiscal Considerations for State Administrators

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Agenda

- **Federal CSBG Act**
 - Laws and guidance
 - Special block grant considerations
- **Financial management of federal grants**
 - Uniform Guidance requirements
 - CSBG uses of funds

Community Services Block Grant Act

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Laws and Guidance

- **Federal Community Services Block Grant (CSBG) Act**
 - 42 U.S.C. § 9901 *et. seq.*
 - States primarily responsible for grant administration
- **Federal Block Grant Regulations**
 - 42 C.F.R. Part 96
- **Information Memoranda (IMs)**
 - Non-binding guidance
 - IM #157: Guidance for COVID-19 Response
- **State CSBG Laws**
 - Statutes, regulations, award terms and conditions, informal guidance

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Block Grant with Strings Attached

- Designation of subrecipients
- Governance – tripartite board
- Funding allocations
- Client eligibility
- Carryover
- Reduction and termination
- Use of funds
 - Buildings and facilities
 - Lobbying and political activity
 - Match

Laws and Guidance

Allocation

- “90% Funds”
 - State **must** pass through 90% of CSBG funds to “eligible entities”
- “10% Funds”
 - States limited in how they spend funds not passed to CAAs
 - Some allowable uses include:
 - Training and technical assistance
 - Coordinating state-operated programs and services
 - Supporting statewide coordination and communication among eligible entities
 - Supporting innovative programs and activities conducted by community action agencies or other neighborhood-based organizations to eliminate poverty, promote self-sufficiency, and promote community revitalization

42 U.S.C. § 9907(b)(1)

Client Eligibility

- **Federal CSBG Act**

- States may permit clients up to 125% of FPL (42 U.S.C. § 9902(2))

- **CARES Act:**

- States may permit up to 200% of FPL for **all** CSBG services during FY 2020 and FY 2021 (including regular FY20 CSBG funding (*H.R. 748, Division B*))



Client Eligibility

- **Procedures for determining eligibility**

- If no process specified by state, CAA may adopt its own
- **OCS IM #157:** Encourages states to review existing procedures and establish emergency procedures to streamline process

- **Definition of income**

- Federal CSBG Act does not define
- States and CAAs have discretion to determine what counts

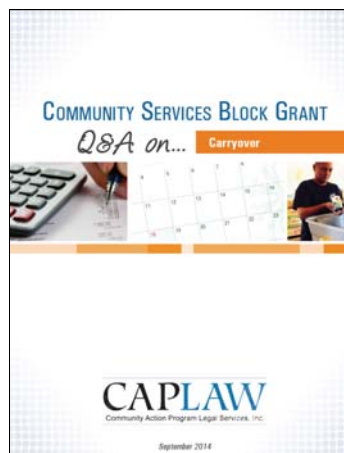
- **Measurement period**

- Consider person becoming low-income due to COVID-19
- Consider impact of emergency on ability to get documentation

Carryover

- **Regular Fiscal Year Appropriations Acts**

- FY 20 Act permits a CAA to carry over **any** unused CSBG funding into the next fiscal year
- Supersedes the federal CSBG Act, which only permits a CAA to carry over up to **20%** of unused CSBG funds from that fiscal year (42 U.S.C. § 9907(a)(3)(A))



Carryover

- **CARES Act**

- Permits CAAs to carry over **any** unused CSBG funds into the **next two** fiscal years (i.e., through September 2022)
- Applies only to CARES Act supplemental CSBG funding

Funding Reduction

- **Due to a Statewide Redistribution of Funds**

- State must show that “cause” exists, i.e., responding to:
 - the results of the most recently available census or other appropriate data;
 - the designation of a new eligible entity; or
 - severe economic dislocation
- If “cause” exists, state must provide notice, a hearing on the record and opportunity for federal review

42 U.S.C. § 9908(c); IM #116

Financial Management of Federal Grants

What Is the Uniform Guidance (UG)?

- Codified at 2 C.F.R. Part 200
 - **Subpart A:** Acronyms and Definitions
 - **Subpart B:** General Provisions
 - **Subpart C:** Pre-Federal Award Requirements and Contents of Federal Awards
 - **Subpart D:** Post-Federal Award Requirements
 - **Subpart E:** Cost Principles
 - **Subpart F:** Audit Requirements
 - **Appendices:** Required contract provisions, indirect costs etc.

Federal Agency Versions of UG

- HHS codified its own version of the Uniform Guidance:
 - **HHS:** 45 CFR Part 75
- All other federal agencies adopted 2 CFR Part 200 with a few exceptions/additions:
 - **Dep't. of Energy:** 2 CFR Part 910
 - **CNCS:** 2 CFR Part 2205
 - **HUD:** 2 CFR Part 2400
 - **DOL:** 2 CFR Part 2900
 - **Dep't. of Education:** 2 CFR Part 3474

How Does UG Apply?

UNIFORM GUIDANCE BASICS

- Answer: Depends on the funding a CAA receives and the applicability provisions in the UG (2 C.F.R. 200.101):
 - **Direct Grants:**
 - Generally, must comply with all of UG, e.g., Head Start
 - **Formula Grants**
 - Generally, must comply with all of UG, e.g., Weatherization Assistance Program (WAP)
 - **Block Grants**
 - Compliance with only a few, select UG provisions, e.g., Low-Income Home Energy Assistance Program (LIHEAP)

When do Additional UG Provisions Apply?

UNIFORM GUIDANCE BASICS

- Answer: Additional UG provisions may be incorporated by reference via the:
 - Authorizing statute for the federal funding
 - Grant agreement between the pass-through entity and the non-federal entity
 - State statutes and regulations

Which UG Provisions Apply to CSBG?

UNIFORM GUIDANCE BASICS

- Answer: The following UG provisions apply to all block grants, including CSBG:
 - **Subpart A** (Acronyms & Definitions)
 - **Subpart B** (General Provisions)
 - **Subpart F** (Audit Requirements)
 - **Certain provisions of Subpart C**
 - § 200.202 – Public notice/CFDA
 - § 200.330 – Subrecipient & contractor determinations
 - § 200.331 – Pass-through entities
 - § 200.332 – Fixed amount subawards
- * Additionally: Subpart E, Cost Principles, applies to CSBG because CSBG Act, the authorizing statute (42 U.S.C. § 9916(a)(1)(B)), specifically requires it

Administrative Requirements

Pass-Through Entity Requirements

45 CFR § 75.331: Must ensure that every subaward:

- Is clearly identified as a subaward
- States certain specified info, including
 - Federally Negotiated Indirect Cost Rate (FNICR), if exists
 - If no FNICR, either a rate negotiated between the pass-through entity and subrecipient or a 10% “de minimis” rate
- Subrecipient is notified of any modifications

Pass-Through Entity Requirements

- **Additional pass-through entity obligations**
 - Evaluate a subrecipient’s **risk** of noncompliance for purposes of determining the appropriate level of monitoring
 - Consider imposing **specific subaward conditions**
 - Monitor a subrecipient’s activities as necessary to ensure that the subaward is used for **authorized purposes**
 - Verify that the subrecipient is audited as required by **Subpart F** of the Uniform Guidance
 - Consider whether the results of a subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to a pass-through entity’s **records**
 - Consider taking **enforcement action** against a noncompliant subrecipient

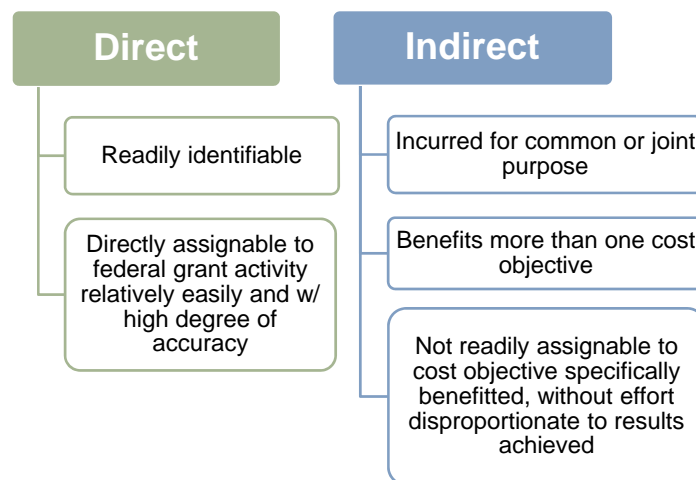
Cost Principles/CSBG Uses of Funds

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Cost Allocation

Types of Costs



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Cost Allocation

Basic Considerations

- Good or service costs are chargeable to a Federal award in accordance with the relative benefit received

is incurred specifically for a federal award

can be properly distributed using reasonable methods when it benefits both federal awards and other work

is necessary for overall operations and assignable in part to the federal award in accordance with the cost principles

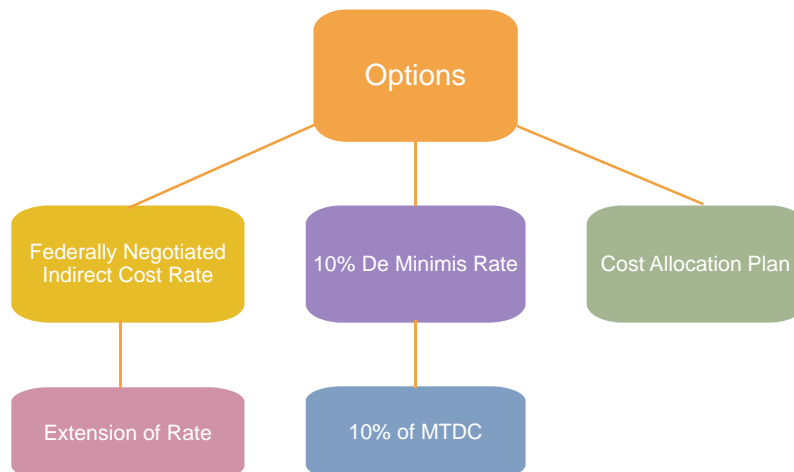
- 45 C.F.R. § 75.405

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Cost Allocation

Recovering Costs



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Cost Allocation

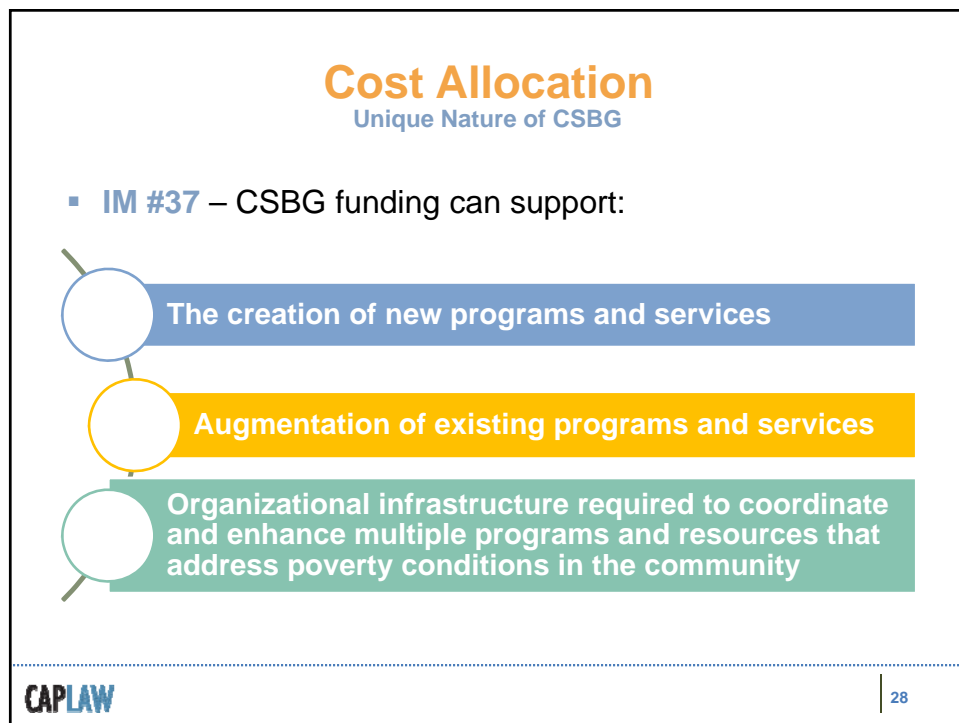
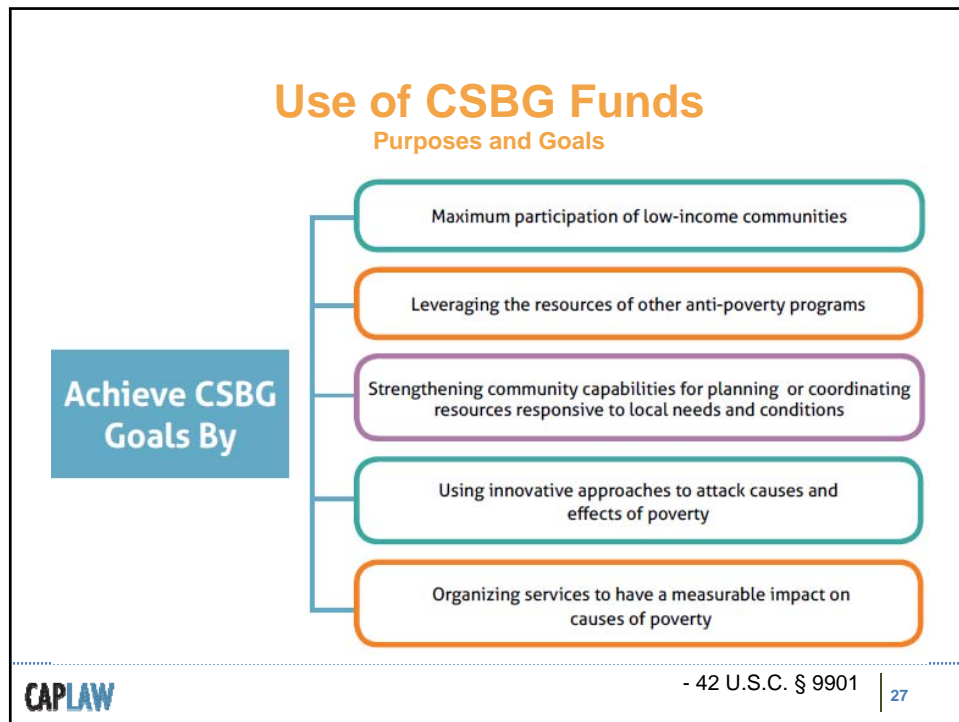
Unique Nature of CSBG

- **Purpose of CSBG award** differs from most other grants because it does not:
 - Focus on funding a particular service
 - Function solely as a "stand alone" program
 - See Information Memorandum (IM) 37 (May 31, 1997)

Use of CSBG Funds

Purposes and Goals





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Cost Allocation

Unique Nature of CSBG

- **State assurances that:**

- State will receive from CAA a **community action plan** which will be submitted as a part of the State's state plan to OCS
 - Community action plan includes a community needs assessment for the community served
 - Community needs assessment could be coordinated with assessments conducted for other programs

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Cost Allocation

Unique Nature of CSBG

- **State assurances that:**

- CSBG funds will be used to make **more effective use of**, and to **coordinate** with, other anti-poverty programs;
- CSBG funds will be used to **support and coordinate a service delivery system** serving low-income people;
- The state and CAAs will coordinate and **establish linkages** between governmental and other programs;
- The state and CAAs will coordinate programs and **form partnerships** with other community organizations.

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Cost Allocation

Unique Nature of CSBG

- CSBG's "program" includes **supporting other programs to build organizational capacity**:
 - Multi-agency strategic planning;
 - Community-wide needs assessments;
 - Co-location of complementary services;
 - Computerization of common intake and referral systems;
 - Formalized networking to share resources and facilities;
 - Organization of cross-sector coalitions to address specific community concerns;
 - Compilation, publication, and distribution of information

IM #37

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Specific Items of Cost

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Specific Items of Cost

Buildings and Facilities

■ Overview

- Generally cannot use CSBG funds for either:
 - Purchase or improvement of land or
 - Purchase, construction, or permanent improvement of building or other facilities
- Exception for low-cost residential weatherization or other energy-related home repairs
- Federal OCS waiver available, upon request, for “extraordinary circumstances”

42 U.S.C. § 9918(a); IM #60

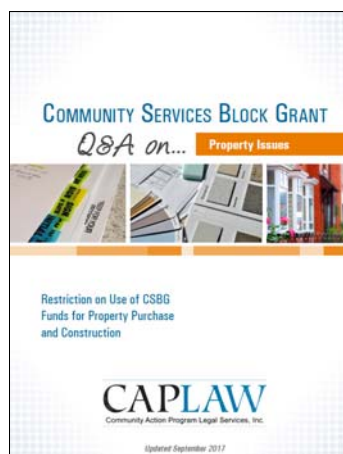
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Specific Items of Cost

Buildings and Facilities

- **Not all building-related expenses are prohibited**
- **Allowable costs:**
 - Maintenance and repair costs (45 C.F.R. § 75.452)
 - Rearrangement and alteration costs (45 C.F.R. § 75.462)
 - Interest on mortgage or improvement (financing cost, not acquisition cost)
 - Depreciation (45 C.F.R. § 75.436)



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Specific Items of Cost

Match

■ Overview

- Generally, CSBG funds may not be used as match for other federal programs
 - CSBG Act silent as to use of funds as a match
 - Federal funds may be used as match only if explicitly allowed by funding source statute, see Uniform Guidance, 45 C.F.R. § 75.306

■ CSBG Match Guidance

- AmeriCorps (IM #139)
- HUD McKinney-Vento (IM #135)

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Specific Items of Cost

Salaries and Wages

Charges must be based on records accurately reflecting work performed

If following standards met, personnel activity reports (PARS) not required:

- Supported by system of internal control
 - Incorporated in official records
 - Reasonably reflect the total compensated activity
 - Encompass all activities – federal and non federal
 - Comply with established accounting practices and policies
 - Support distribution of employee's salary among specific activities or cost objective
- 45 C.F.R. § 75.430

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Specific Items of Cost

Fringe Benefits

- Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages (e.g., leave, gym membership, insurance)
- Allowable if:
 - Reasonable
 - Required by law, non-Federal entity-employee agreement, or established written policy and
 - Consistent accounting basis used

- 45 C.F.R. § 75.431

Specific Items of Cost

Fringe Benefits

- IM #157: May **continue to charge staff salaries and benefits** to current CSBG awards during COVID-19 outbreak
 - Must be paid under a policy addressing emergency closures or extraordinary circumstances

Specific Items of Cost

Pre-award Costs

- Costs incurred prior to the effective date of the federal award that:
 - Have been negotiated and are in anticipation of the award and
 - Are necessary for efficient and timely performance of the award
- Allowable only:
 - With written approval of HHS awarding agency
 - If would be allowable under the federal award

- 45 C.F.R. § 75.458

Specific Items of Cost

Equipment and Supplies

- **Equipment**
 - Tangible personal property with a useful life > 1 year and a **per-unit acquisition cost** equal to or greater than **\$5,000** (or the capitalization level established by CAA)
 - General purpose vs. special purpose
- **Supplies**
 - All tangible personal property that is not “equipment”
 - A “computing device” is a supply if acquisition cost < \$5,000

- 45 C.F.R. § 75.2

Specific Items of Cost

Equipment and Supplies

- **General purpose equipment**
 - Unallowable as a **direct cost**, except with prior written approval of HHS awarding agency or pass-through entity
 - Charging **depreciation costs** is allowable and does not require prior approval
 - Unallowable as **indirect costs**
 - Costs of **disposal or transfer** allowable if done pursuant to HHS instructions
- 45 C.F.R. § 75.439
- **Supplies**
 - Purchase does not require prior approval

What if Specific Cost is Not in the UG?

- Failure to mention a specific item of cost does **not** imply that it is allowable or unallowable (45 C.F.R. § 75.420)
- Instead, determine if cost is allowable based on the **basic cost considerations** (45 C.F.R. §§ 75.402-411).
 - Allowable
 - Reasonable
 - Allocable

Single Audit Requirement

A CAA must conduct a Single Audit if:

- It expends \$750,000 or more in federal awards during the CAA's fiscal year

- 45 C.F.R. § 75.501

Single Audit Requirement

Frequency

- With limited exceptions, the Single Audit must be performed annually

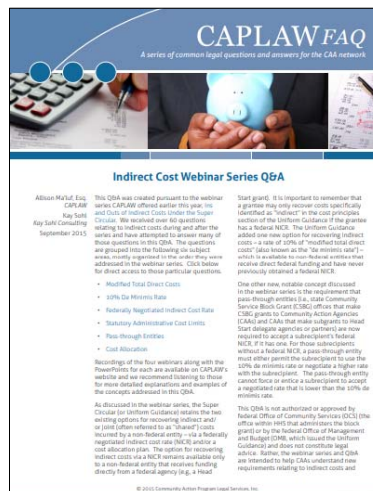
- 45 C.F.R. § 75.504

Costs

- A reasonably proportionate share of costs involved with performing the audit may be charged to the federal award

- 45 C.F.R. § 75.425

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2020 OMB Proposed Revisions

- Allows requests for **higher micro-purchase threshold**
- Clarifies that pass-through entities **must accept FNICR**
- Expands eligibility** for the 10% de minimis rate
- Pass-through entity only responsible for **audit findings** related to its subaward
- Prohibits incorporation of **non-binding guidance** into terms and conditions of federal awards
- Non-Federal entities given **120 days** (90 for subrecipients) to submit closeout reports

Questions?