



Do the Right Thing: Cultivate a Culture of Compliance and High Ethical Standards

2024 NASCSP
Annual Training
Pre-Conference

Tuesday, September 17,
2024





- Federal Law Framework
- Culture of Compliance
 - Funding Source Check-Points

----- BREAK -----

- BeBetter, Inc. Scenario and Discussion
- Q&A

Culture of Compliance



Culture of Compliance

Set the "tone
at the top"

Think
globally

Put
it on paper

Assign
Responsibility +
Require
Accountability

Communicate

Ongoing Approach to Compliance and Ethical Standards

Get up to
speed + stay
up to date

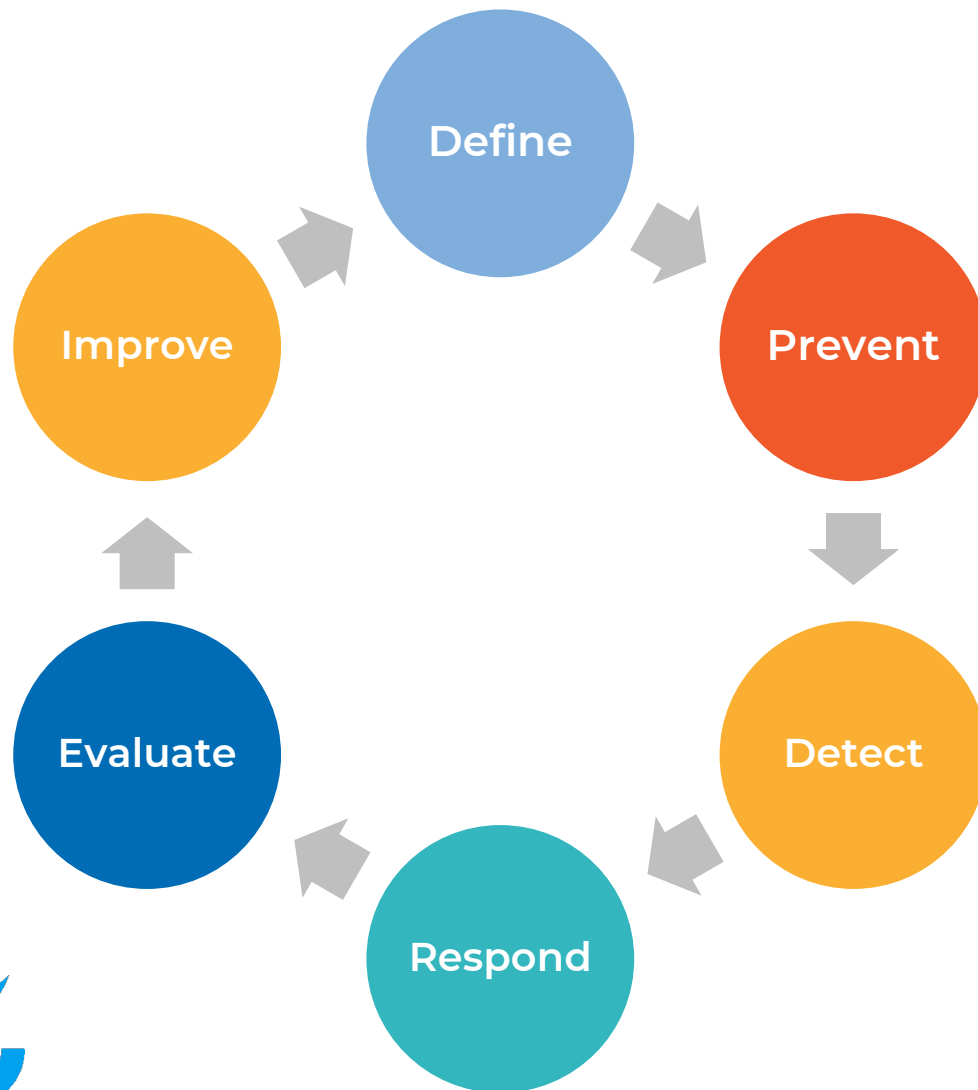
Trust but
verify

Follow through
promptly and
effectively

Continuously
improve

Work with an
attorney

Compliance + Ethics Elements



Standards
+
Organizational Culture

A Culture of Compliance

Do the Right Thing

GUIDEBOOK



How CAAs Can Cultivate
a Culture of Compliance
and High Ethical Standards

Federal WAP

- Uniform Guidance establishes internal controls framework
 - Incorporated by reference via WAP regulation, 10 C.F.R. 440.2
 - DOE adopted 2 CFR Part 200 with few exceptions (2 CFR Part 910.120)
 - WAP statute/regulations/award terms & conditions supersede UG
- Annual Weatherization Program Notice (WPN)

The Uniform Guidance

- Internal controls are processes designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - Effectiveness and efficiency of operations;
 - Reliability of reporting for internal and external use; and
 - Compliance with applicable laws and regulations

The Uniform Guidance

- Organizations receiving federal grant funds must establish and maintain effective **internal control** over the federal award that ***provides reasonable assurance*** that organization is managing the Federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award

2 C.F.R. § 200.303; 45 C.F.R. § 75.303

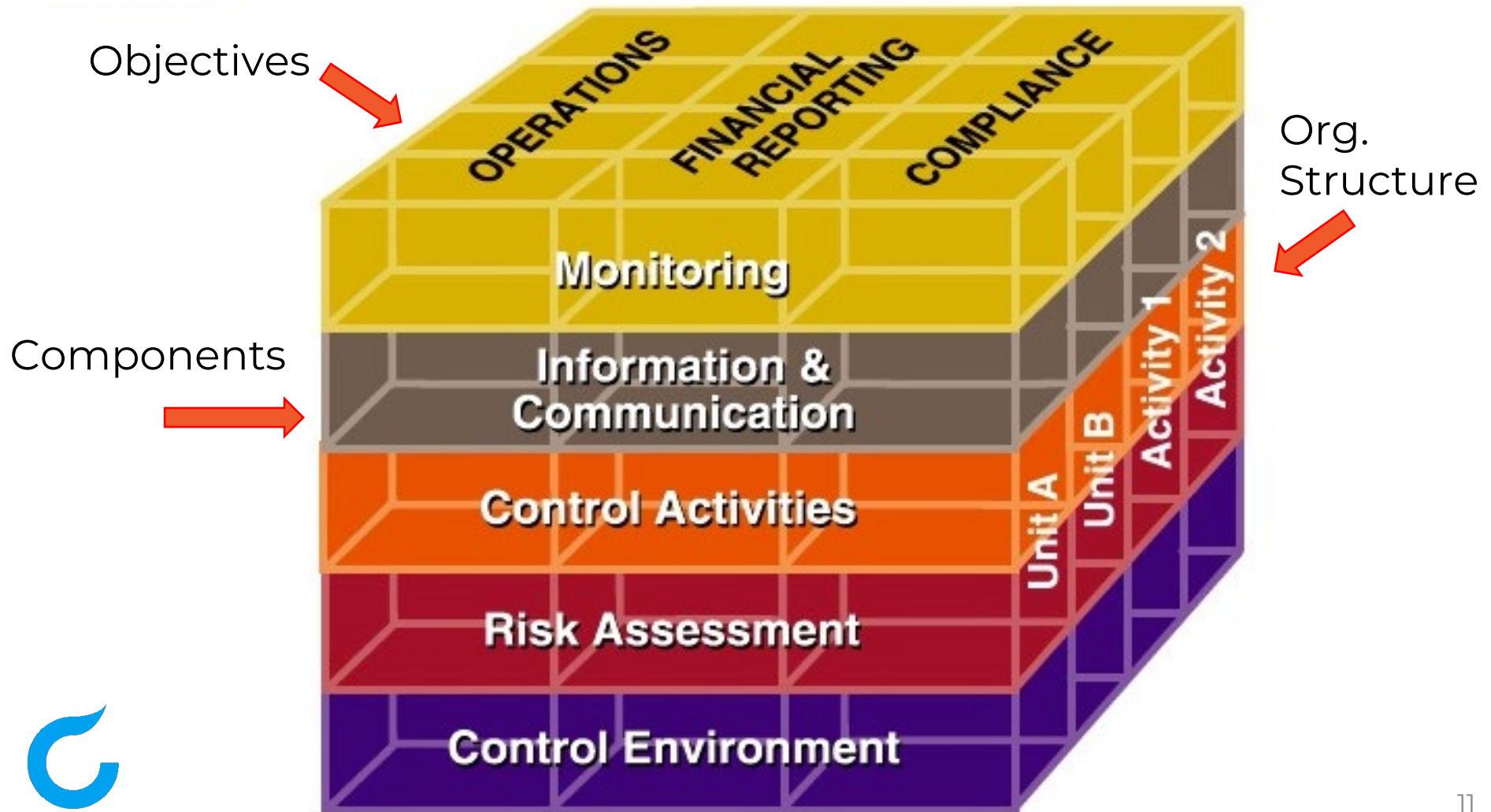
The Uniform Guidance

- Internal controls should be in compliance with guidance in:
 - “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations (COSO) <https://www.coso.org/Pages/ic.aspx> and
 - Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States <http://www.gao.gov/greenbook/overview>

2 C.F.R. § 200.303; 45 C.F.R. § 75.303

COSO Internal Control

Integrated Framework



COSO Framework: 17 Principles

Control Environment

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibilities
3. Establishes, structure, authority, and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

Risk Assessment

6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

Control Activities

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

Information and Communications

13. Uses relevant, quality information
14. Communicates internally
15. Communicates externally

Monitoring Activities

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

Federal CSBG

- The federal CSBG Act requires states to monitor CAAs on:
 - Performance goals;
 - Administrative standards;
 - Financial management requirements; and
 - Other state requirements
 - Includes ***CSBG Organizational Standards***

42 U.S.C. § 9914

CSBG Organizational Standards

Organized in three thematic groups comprising nine categories



Funding Source Check-Points

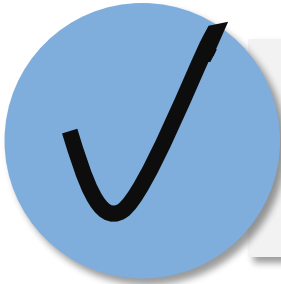
Org. Standard 4.6

Organization-wide, comprehensive risk assessment has been completed in the past 2 years and reported to the board

Setting the Tone: Role of Leadership

- Set **expectations** regarding ethics and compliance
- Exercise **due diligence** in recruitment and hiring practices
- Exhibit **obvious commitment** to organization's legal, compliance and audit functions

Setting the Tone



Prioritize compliance and ethics in hiring and evaluating leadership team



Adopt and update compliance and ethics policies

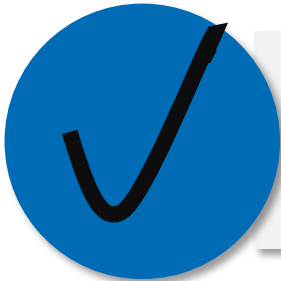


Adopt and monitor compliance and ethics program

Setting the Tone



Communicate importance of compliance and ethics



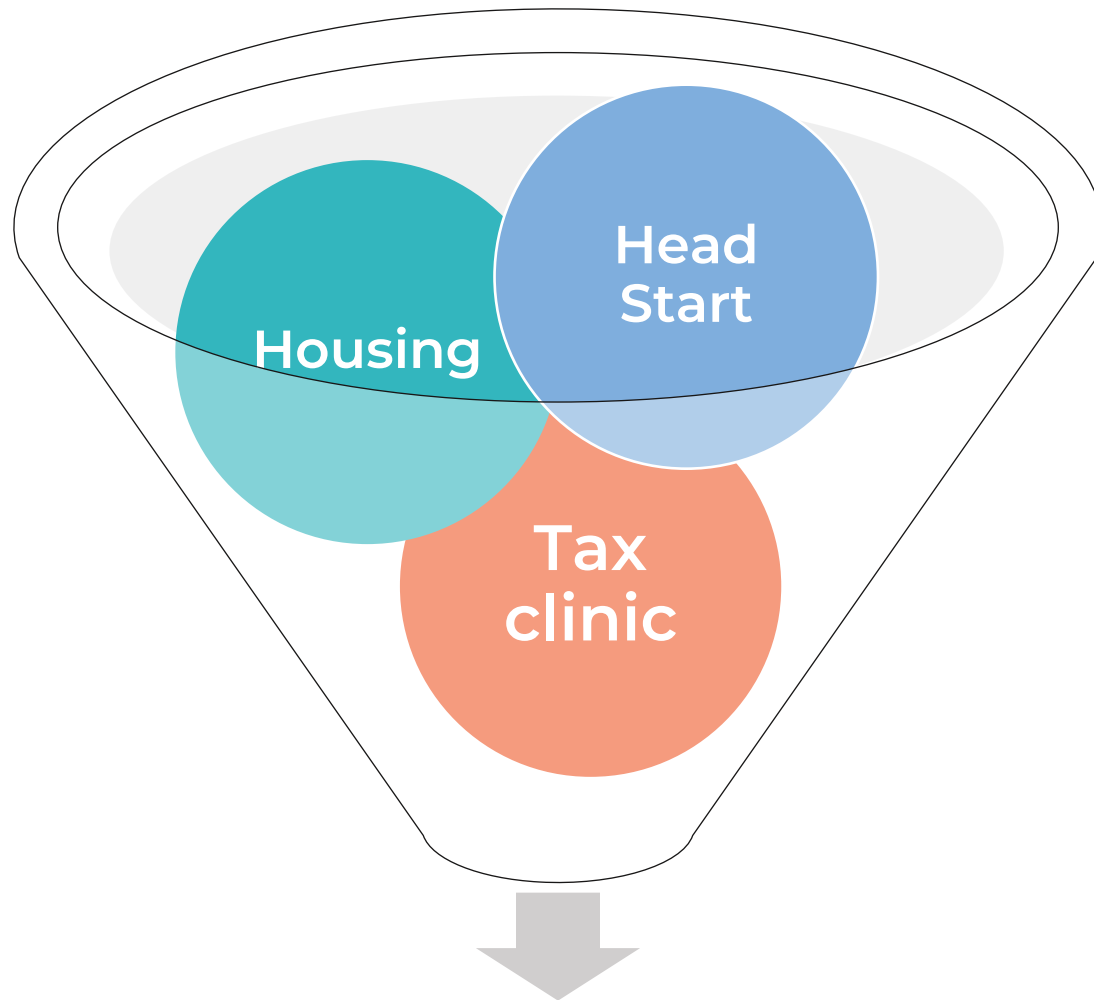
Take action on reports of concerns

Funding Source Check-Points

Org. Standard 7.4

Board/Department reviews
CEO/executive or department
head within each calendar year.

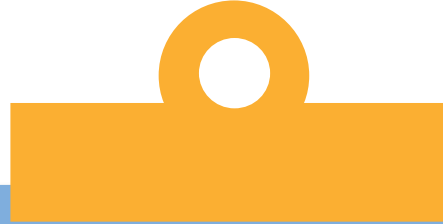
Think Globally



Think Globally

- Develop **integrated, organization-wide systems**
- Ensure that all employees know:
 - What the policies are;
 - How to comply with them; and
 - How to demonstrate compliance, including how to consistently document that policies are being followed

Put It On Paper



Written policies and procedures:

Memorialize the org.'s commitment to compliance and ethics

Help board and staff understand how to act in accordance with that commitment

Scope: What Are We Complying With?

Major Civil and Criminal Laws, including:

- Grant laws and regulations
- Tax laws
- Accounting rules
- Privacy and data protection
- Records retention
- Employment laws
- Fraud
- Negligence/other tort laws

Voluntarily Adopted Requirements, including:

- Internal policies designed to facilitate legal compliance, promote safety, protect assets and reduce risk of civil liability
 - Code of Ethics & Conduct
 - Drug and alcohol policies
 - Physical security policies
 - Theft and fraud prevention

Key Compliance Policies

- **Code of Ethics**

- Outlines practices and behaviors that staff, board and volunteers agree to follow

- **Whistleblower Policy**

- Encourages employees, volunteers, clients and vendors to report ethics and compliance concerns

- **Conflict of Interest Policy**

- Encourages board members and staff to report and address actual and potential conflicts of interest

- **Fiscal Policy**

- Establishes procedures for financial management and accountability, including procurement

Code of Ethics

- Set of principles that **guide decision making, behavior and activities**
- Applies to employees, volunteers and board members
- Should **reflect org's unique mission, activities and interactions**
- Possible topics to address:
 - Personal gain
 - Employment practices
 - Nepotism
 - Personal integrity
 - Organizational excellence
 - Accountability
 - Conflicts of interest

Whistleblower Policy

- **Key elements of a whistleblower policy:**
 - To whom does it apply?
 - Is reporting required?
 - To whom does whistleblower report complaints?
 - No retaliation for good faith reporting
 - Disciplinary action for bad faith reporting
 - Point person/board committee to administer
 - Procedure for anonymous reporting
 - Confidentiality of process

Funding Source Check-Points

CSBG Org. Standard 7.7

Whistleblower policy has been approved by the board

WAP - Uniform Guidance 2 C.F.R. § 200.217

Must inform employees in writing of whistleblower rights and protections

Conflicts of Interest Policy

- Policy with procedures for **identifying apparent or actual conflicts of interest** of board, staff
 - Directors/staff should **disclose** financial or other interest in transaction
 - Interested directors/staff shouldn't participate in consideration of or vote on matter
 - **Disinterested directors** must decide based on **comparables** or other **independent information**, whether to approve transaction based on best interest of CAA
 - **Steps taken** to address conflict should be **recorded**

Funding Source Check-Points

CSBG Org. Standard 5.6

Each board member has signed a conflict of interest policy within the past 2 years

WAP - Uniform Guidance 2 C.F.R. § 200.318

Must maintain written standards of conduct covering conflicts of interest and governing employee actions in the selection, award and administration of contracts

Fiscal Policies

- **Financial Management**
 - Establishes checks and balances, accountability and oversight
- **Procurement**
 - Outlines how goods and services will be purchased
- **Indirect Cost Rate or Cost Allocation Plan**
 - Establishes method of cost recovery

Funding Source Check-Points

CSBG Org. Standard 8.10

Fiscal policies have been reviewed by staff within the past 2 years, updated as necessary, with changes approved by the board

CSBG Org. Standard 8.11

Written procurement policy is in place and has been reviewed by the board within the past 5 years

CSBG Org. Standard 8.12

Document how shared costs are allocated through an indirect cost rate or a written cost allocation plan

WAP - Uniform Guidance 2 C.F.R. § 200.302

Financial management systems must be sufficient to permit preparation of required reports and the adequate tracking of funds

WAP - Uniform Guidance 2 C.F.R. § 200.317-327

Framework for procuring goods and services with federal funds. See also, WAP Memo 115 (Weatherization Procurement Resources (9/6/23))

Other Policies

- **Personnel Policy / Employee Handbook**
 - Establishes rules governing employer/employee responsibilities
 - Encourages employee familiarity with the organization's policies, expectations, and benefit programs
- **Record Retention Policy**
 - Outlines process for managing documents and information

Funding Source Check-Points

CSBG Org. Standard 7.1

CAA has written personnel policies that have been reviewed by an attorney and approved by the board in the past 5 years

CSBG Org. Standard 8.13

Must have written policy in place for record retention and destruction

WAP - Uniform Guidance 2 C.F.R. § 200.334-338

Establishes requirements relating to retaining grant related documents and public access. See also, WPN 24-1 (Annual Program Notice)

Drafting Policies

Involve those
affected in
drafting

Work with
an attorney

Use “Plain
English” and
real-life
examples

Ask staff to
acknowledge
receipt,
review and
comply

Think if can
implement &
enforce

Sample Policies

Available in
CAPLAW's
Resource
Library



Search

Topics

- ☐ Collaboration (0)
- ☐ Mergers (0)
- ☐ Shared Services (0)
- ☐ Confidentiality (0)
- ☐ Conflicts of Interest (4)
- ☐ Contracts (0)

Audiences

- ☐ Administrative Staff (1)
- ☐ Attorney (1)
- ☐ Board of Directors (8)
- ☐ Executive Director (12)
- ☐ Finance Director (6)
- ☐ Finance Staff (0)

Resource Types

- ☐ Sample checklist (1)
- ☐ Sample document (4)
- ☐ Sample law (1)
- ☒ Sample policy (12)
- ☐ Self-assessment tool (4)
- ☐ Tip sheet (2)

Access

- ☐ CAPLAW Members (0)
- ☐ Public (12)



Sample Social Media Policy

This Sample Social Media Policy is intended to help CAAs understand the legal framework and some of the legal issues that may arise as a result of employee use of social media. Federal, state, and local laws and regulations governing the use of social media are evolving, and this sample policy...



COVID-19 Vaccine Policy Templates

CAPLAW has drafted the following template policies to assist CAAs in planning their approaches to vaccines in the workplace while maintaining compliance with applicable federal mandates issued by Head Start and the Centers for Medicare & Medicaid Services (CMS). Various legal challenges to the...



Sample Remote Work Policy

A successful remote work arrangement requires that employees and their employer both understand their roles and obligations. Therefore, a clear, thorough, and easy-to-understand remote work policy is a key component of a successful remote work arrangement. This Sample Remote Work...



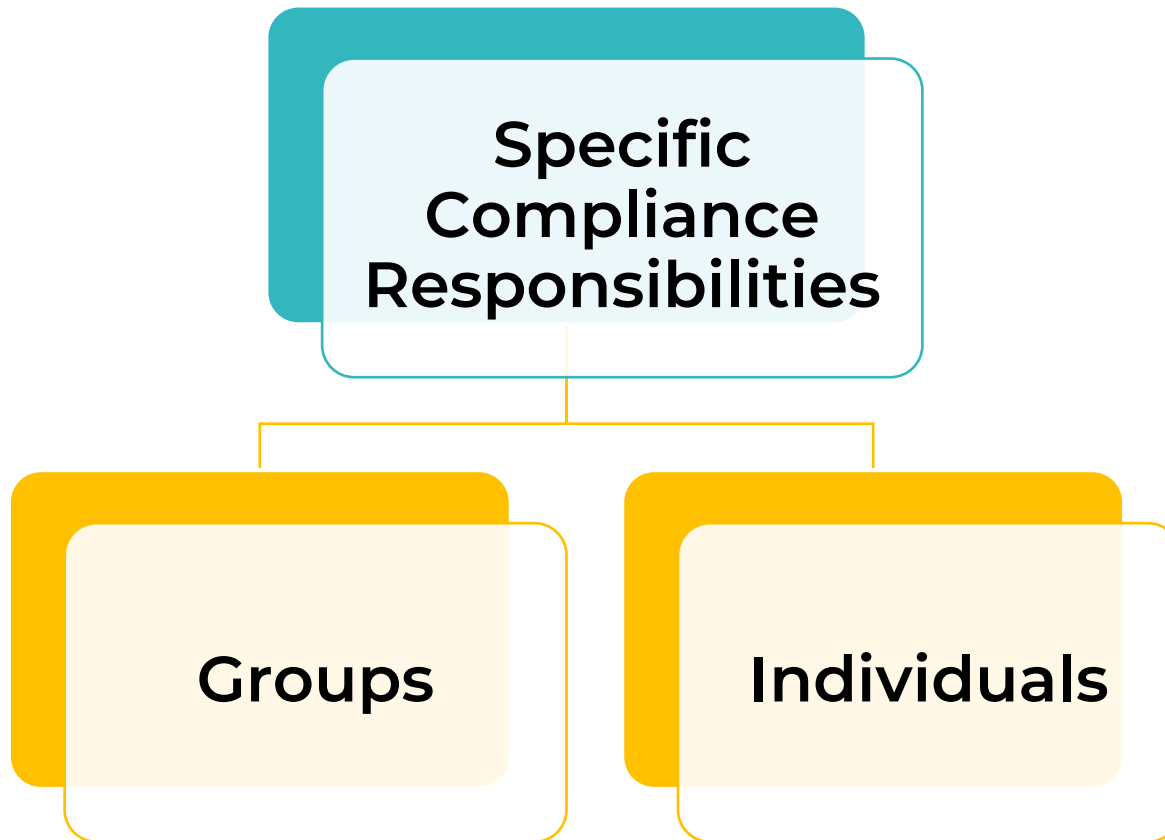
Sample Record Retention Policy

This sample policy can help CAAs to build their own record retention and destruction policy in compliance with federal and state laws, including the CSBG Organizational Standards, the Uniform Guidance, Form 990, and the Sarbanes-Oxley Act. CAPLAW's Policies in Practice: Record...

TOOLS FOR TOP-NOTCH CAAs: A PRACTICAL APPROACH TO GOVERNANCE AND FINANCIAL EXCELLENCE

Section 1: Making Board Meetings Matter	7
Section 2: Improving a CAA's Financial Capacity	29
Section 3: Creating the Annual Operating Budget	67
Section 4: Getting the Most Out of Your Financial Statements	83
Section 5: Dealing with Conflicts of Interest	107
Section 6: Adopting a Whistleblower Policy	121
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Assign Responsibility + Require Accountability



Assign Responsibility + Require Accountability

Ensure those involved understand their responsibilities by providing:

**Job
descriptions**

**Staff
evaluations**

**Board/staff
committee
charters**

Funding Source Check-Points

Org. Standard 7.3

Org./Dept. has written job descriptions for all positions which have been updated: for private CAAs w/in past 5 years and for public CAAs w/in gov't framework.

Org. Standard 7.6

Org. has policy in place/Dept follows gov't framework for regular written evaluation of employees by supervisors.

Board Compliance Committee

- Receives and discusses reports on compliance & ethics program
- Periodically reports to full board on compliance program
- Recommends to full board ways to improve compliance & ethics
- Takes action to address problems

Management Compliance Committee

- Made up of dept. heads and/or other senior managers
- Works with board committee



Management Compliance Committee

- **Takes the lead in:**

- Assessing org's ethical **culture and compliance**;
- Establishing compliance **systems**;
- Addressing compliance **concerns**;
- Coordinating **communication** on compliance matters;
- **Training** board, staff and volunteers; and
- **Monitoring** compliance

Compliance Officer

- Often a senior manager
- Acts as **point person for coordinating compliance** throughout organization
- **Regularly reports** on compliance and ethics matters to the board

Communication





**No retaliation for
good faith reporting**

- Reporting process
- Open door
- Confidential investigation
- Appropriate remedial action



**Publicly
recognize
exemplary
compliance &
ethics behavior**

Get Up to Speed + Stay Up-to-Date

- **Board and staff training**
 - Customize to CAA and its operations
 - Compare CAA's actual practices to best practices
 - Include checklists, self assessments, and post-training action lists
 - Follow-up
 - Focus on supervisors

Funding Source Check-Points

CSBG Org. Standard 5.8

Governing board members have been provided with training on their duties and responsibilities within the past 2 years

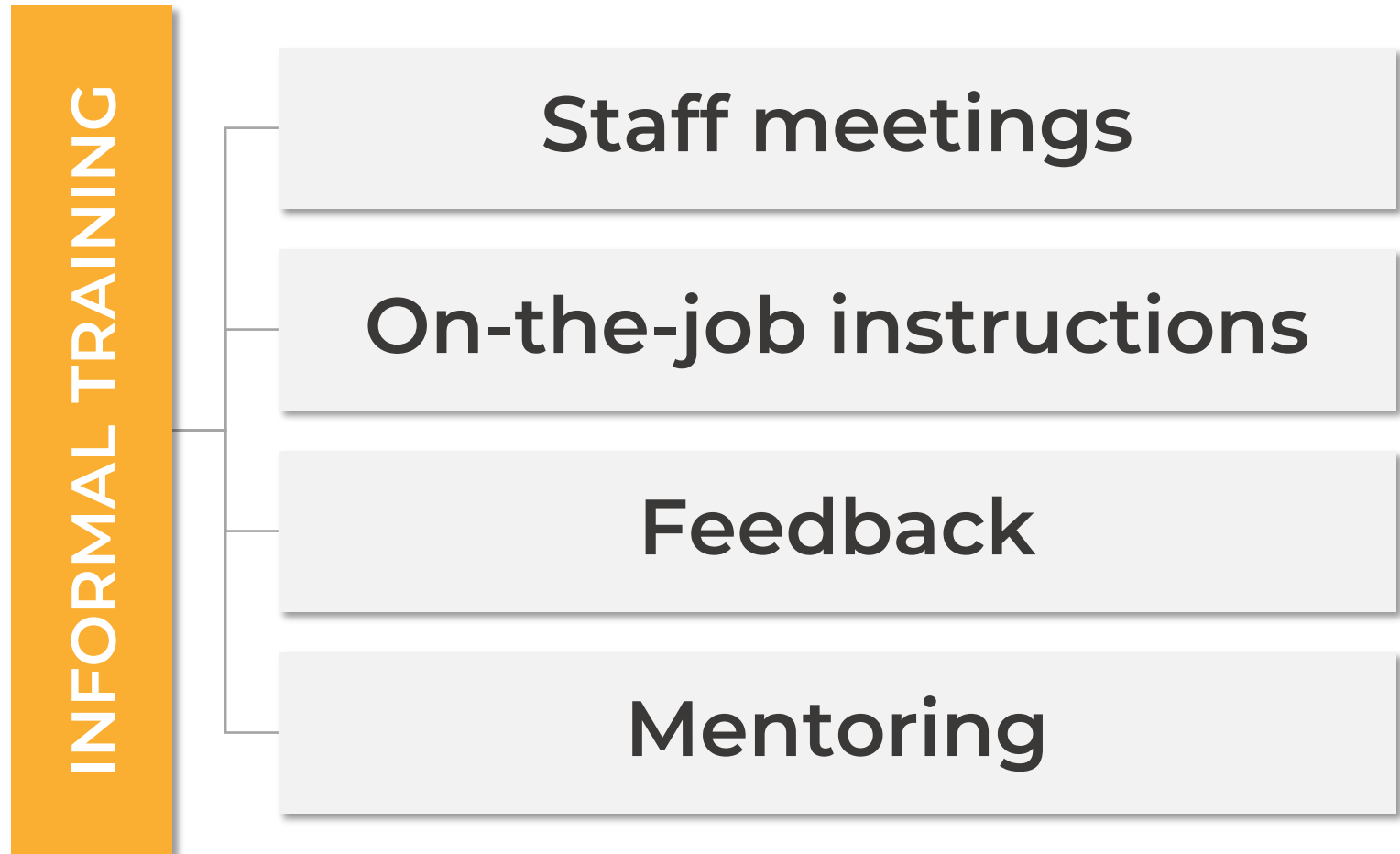
CSBG Org. Standard 7.9

Conduct or make available staff development/training (including ROMA) on an ongoing basis

WAP – Annual Grant Notice

Grantees will receive a Training & Technical Assistance (T&TA) allocation to support workforce development activities.

Training Formats



Training Formats




Keys to Successful Ethics Training

- Identifies **ethical dimensions** of a decision
- Develops awareness and understanding of **ambiguities** in ethics situations
- Equips to **address ethical issues**
- Explains how actions define org's **ethical posture**
- Establishes **framework of help** with resolving ethical conflicts
- Eliminates belief that unethical behavior is ever justifiable


Trust But Verify

- Critical component of an effective compliance program is **monitoring/auditing**
- Senior management and board should **regularly receive reports** describing problems identified and **steps being taken to correct** them

Trust but Verify



Helping People. Changing Lives.
community Action
PARTNERSHIP
AMERICA'S POVERTY FIGHTING NETWORK

HOME REGISTER LOGIN



Assessment and Risk Resources Portal



Welcome to the Assessment and Risk Resources Portal for community action! This website offers tools and resources to help your agency strengthen risk management. These resources on this site were developed through a partnership between CAP and the Nonprofit Risk Management Center.



ORGANIZATIONAL ASSESSMENT

Use this tool to assess your organizational capacity and/or next steps in the [Pathways to Excellence](#).



[Learn More](#)



POLICIES

Draft custom risk policies for your agency within a matter of minutes! Your policies are saved online in your policy 'vault.'



[Learn More](#)



RISK ASSESSMENT

Use the new version of *My Risk Assessment* to identify and rank risks, and to identify gaps and action steps to strengthen risk management in your agency.

[Learn More](#)



MEMBER BENEFITS & PORTAL TOOLS

Access NRMC Member Benefits & Portal Tools, including Account and User Information.

[Learn More](#)

Funding Source Check-Points

Org. Standard 1.3

Organization has systematic approach for collecting, analyzing and reporting customer satisfaction data to the board

Org. Standard 4.6

Organization-wide, comprehensive risk assessment has been completed within the past 2 years and reported to the board

Org. Standard 5.9

Board receives programmatic reports at each regular board meeting

Org. Standard 8.7

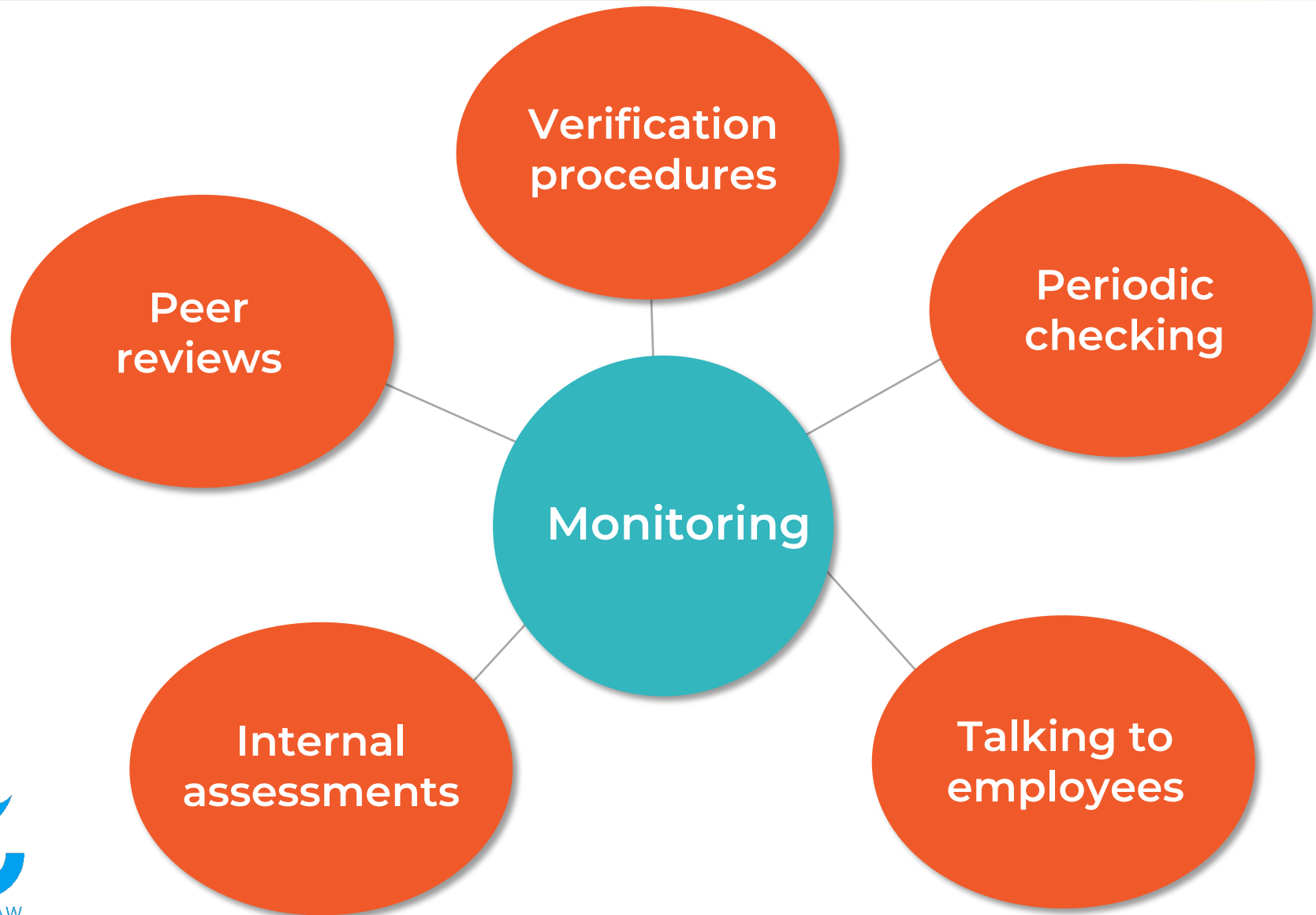
Board receives financial reports at each regular meeting

Funding Source Check-Points

WAP Regs,
10 C.F.R.
440.13(b)(6)

State adopts monitoring plan indicating method used to insure subgrantee **quality of work** and **adequate financial management** control. See also WPN 22-4 (Quality Workplan Requirement Update (12/13/21))

Trust but Verify



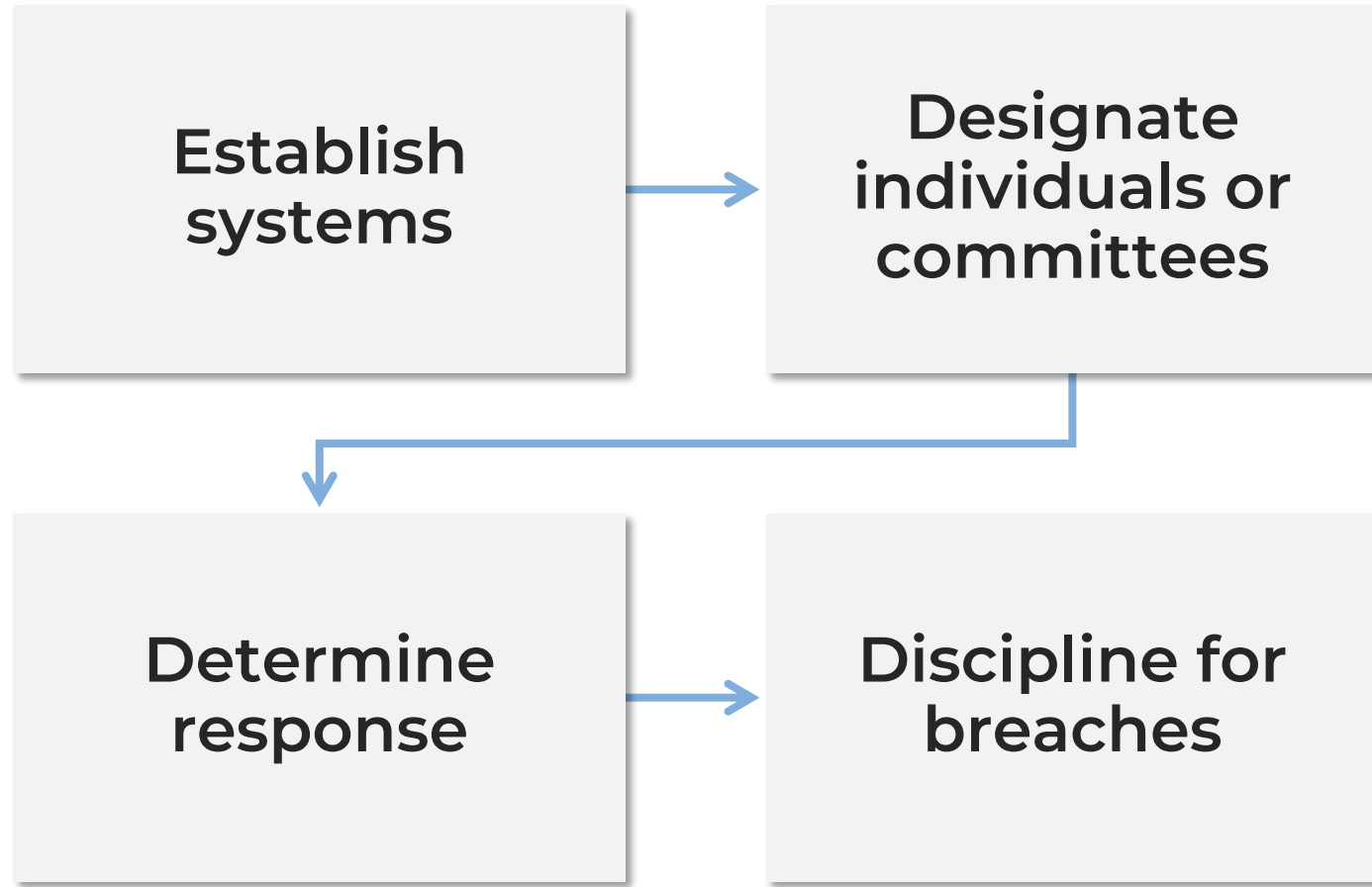
Periodic Checks

- **Self-audits** – regular checks of personnel, program, procurement or other files to determine if policies and procedures are followed
- Techniques for monitoring compliance include:
 - Managing by **walking around**
 - Determining if particular task or function is **being performed correctly**
 - Conduct **peer reviews**

Follow Through Promptly + Effectively

- Promptly and effectively **investigate** and **resolve** complaints, reports of problems, and internal and external monitoring and audit findings

Follow Through Promptly + Effectively

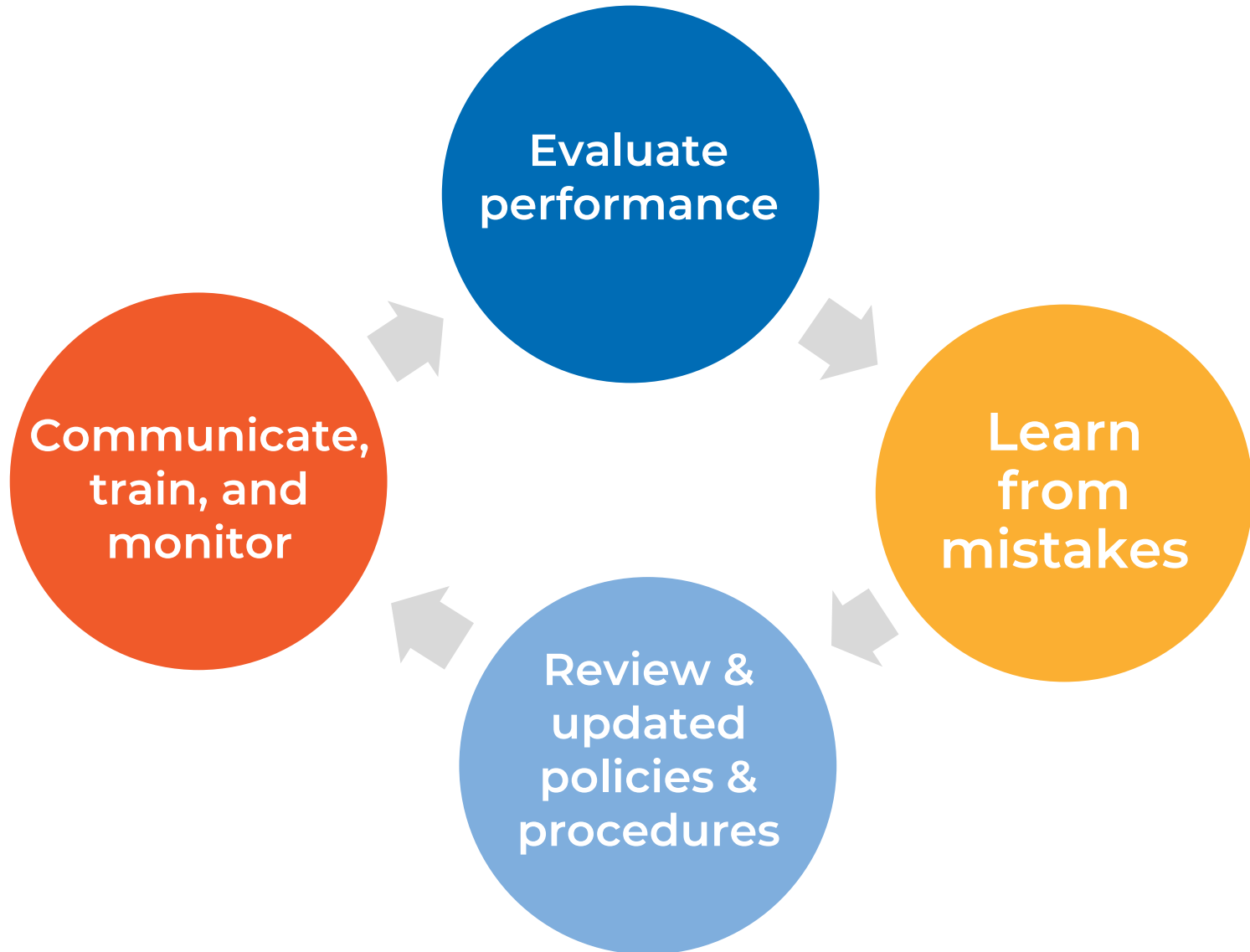


Funding Source Check-Points

Org. Standard 8.2

All findings from the prior year's annual audit have been assessed and addressed where the board deems appropriate

Continuously Improve



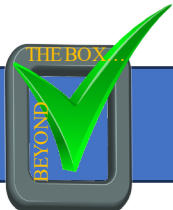
Monitoring as a Tool to Continuously Improve

- Provide CAA **feedback** on **effectiveness** of programs
- Assist leaders with making **changes**
 - Early warning system
 - Build upon strengths

Work with Attorney

- Attorneys play a **key role** in helping a CAA maintain accountability and avoid liability
 - Find an attorney
 - Hire an attorney
 - Pay for an attorney
 - Understand an attorney's role on the board of directors

Please scan
here to
complete
the
evaluation
for this
session!



Scenario:

BeBetter, Inc.

**Working Hard or
Hardly Working?**

Question 1:

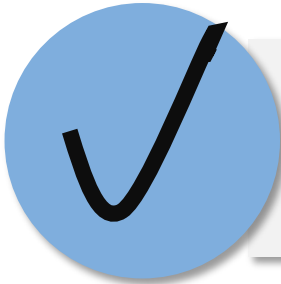
- What is the board's and senior management's role in this scenario?

Role of Leadership

Set the Tone at the Top

- Set **expectations** regarding ethics and compliance
- Exercise **due diligence** in recruitment and hiring practices
- Exhibit **obvious commitment** to organization's legal, compliance and audit functions

Setting the Tone



Prioritize compliance and ethics in hiring and evaluating leadership



Adopt and update compliance and ethics policies



Adopt and monitor compliance and ethics program

Setting the Tone



Communicate importance of compliance and ethics

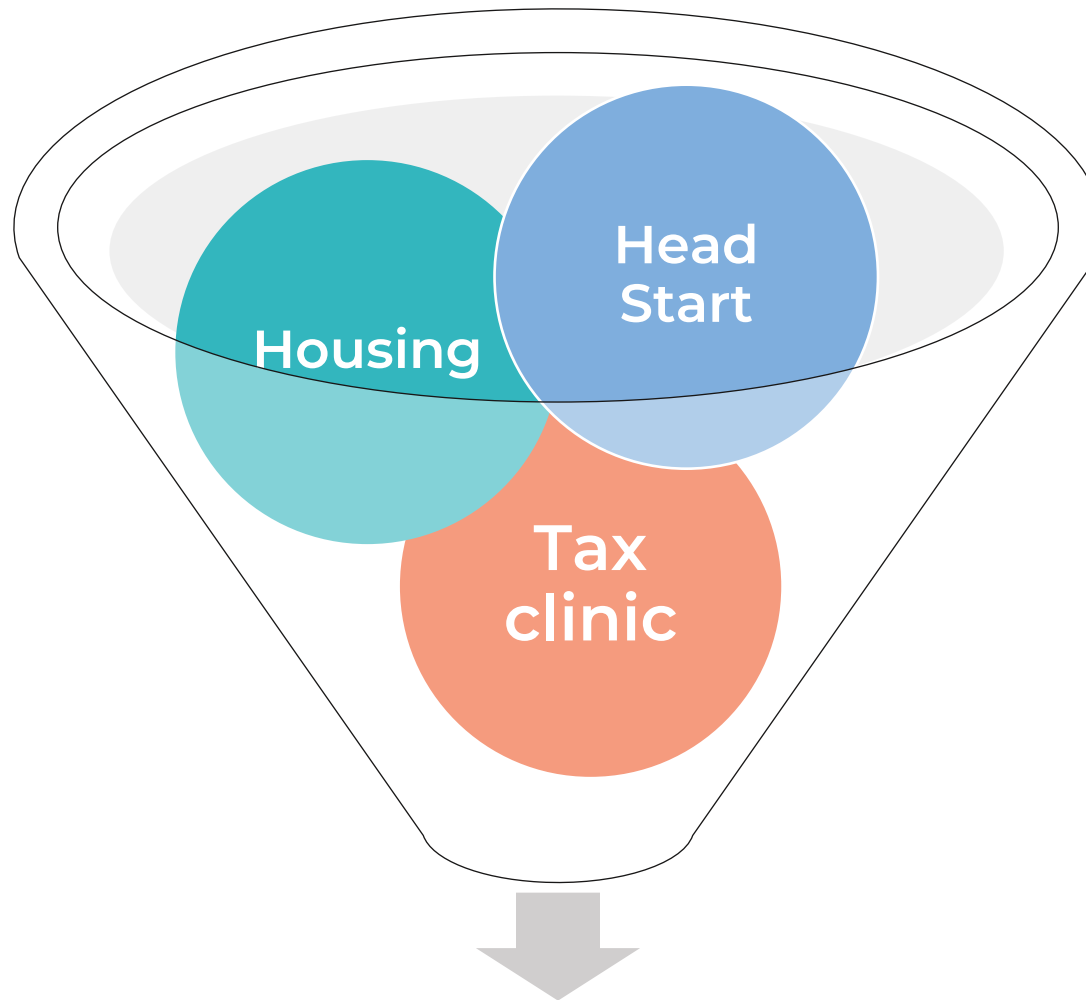


Take action on reports of concerns

Question 2:

- What, if any, organization-wide actions could the Executive Director and board have taken to mitigate or prevent this situation?

Think Globally



Think Globally

- Develop **integrated, organization-wide systems**
- Ensure that all employees know:
 - What the policies are;
 - How to comply with them; and
 - How to demonstrate compliance, including how to consistently document that policies are being followed

Question 3:

- What organizational policies are potentially implicated in the scenario?
How?

Put It On Paper



Written policies and procedures:

Memorialize the org.'s commitment to compliance and ethics

Help board and staff understand how to act in accordance with that commitment

Funding Source Check-Points

CSBG Org. Standard 7.7

Whistleblower policy has been approved by the board

WAP - Uniform Guidance 2 C.F.R. § 200.217

Must inform employees in writing of whistleblower rights and protections

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Establishes requirements relating to retaining grant related documents and public access. See also, WPN 24-1 (Annual Program Notice)

Question 4:

- Who should be held accountable and who should hold them accountable?

Assign Responsibility + Require Accountability



Assign Responsibility + Require Accountability

Ensure those involved understand their responsibilities by providing:

**Job
descriptions**

**Staff
evaluations**

**Board/staff
committee
charters**

Question 5:

- What information should have been communicated to staff from the Energy and Family Services Departments to help prevent this situation from escalating to the point it did?
- How could that information have been communicated?

Communicate, Communicate, Communicate!





**No retaliation for
good faith reporting**

- Reporting process
- Open door
- Confidential investigation
- Appropriate remedial action



**Publicly
recognize
exemplary
compliance &
ethics behavior**

Question 6:

- How might the Executive Director and management team have surfaced some of these issues before the situation got to this point?

Trust But Verify

- Critical component of an effective compliance program is **monitoring/auditing**
- Senior management and board should **regularly receive reports** describing problems identified and **steps being taken to correct** them

Trust but Verify



Funding Source Check-Points

Org. Standard 1.3

Organization has systematic approach for collecting, analyzing and reporting customer satisfaction data to the board

Org. Standard 4.6

Organization-wide, comprehensive risk assessment has been completed within the past 2 years and reported to the board

Org. Standard 5.9

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Org. Standard 8.7

Board receives financial reports at each regular meeting

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State adopts monitoring plan indicating method used to insure subgrantee **quality of work** and **adequate financial management** control. See also WPN 22-4 (Quality Workplan Requirement Update (12/13/21))

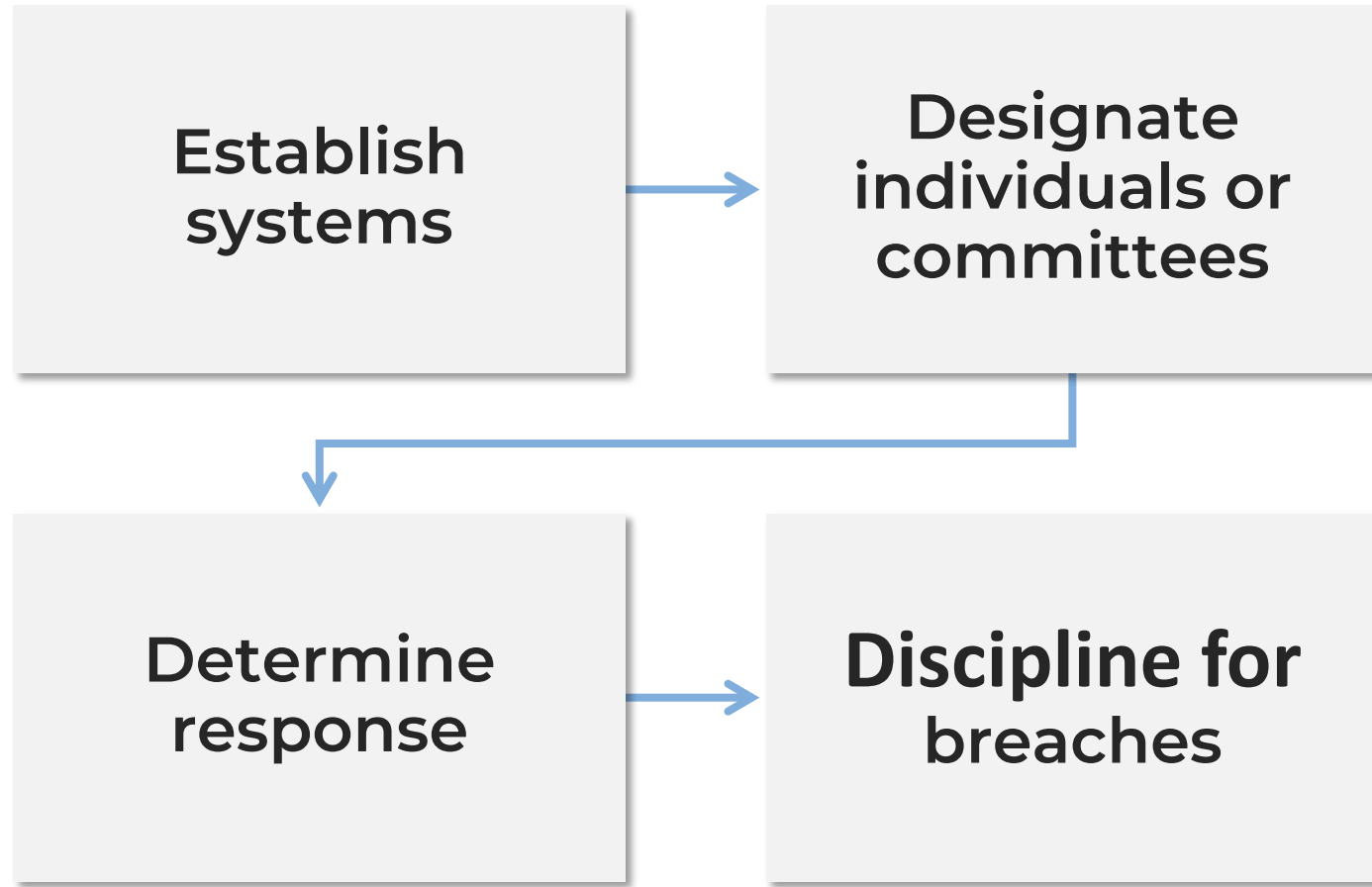
Question 7:

- What steps should the Executive Director and management take in response to the different allegations?

Follow Through Promptly + Effectively

- Promptly and effectively **investigate** and **resolve** complaints, reports of problems, and internal and external monitoring and audit findings

Follow Through Promptly + Effectively



Funding Source Check-Points

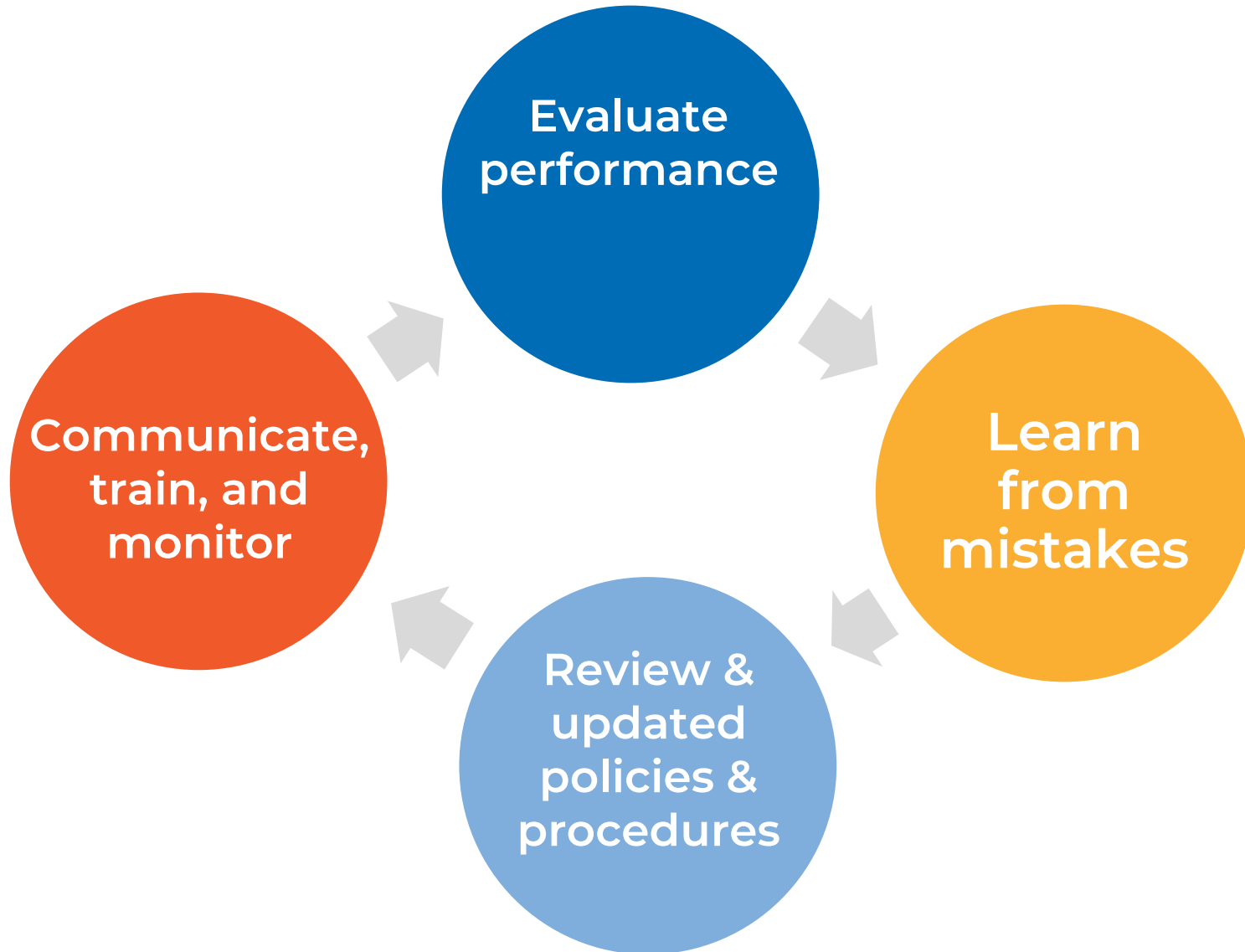
Org. Standard 8.2

All findings from the prior year's annual audit have been assessed and addressed where the board deems appropriate

Question 8:

- Once the Executive Director, management and board address the specific issues raised in the scenario, are there any other actions they should take? If so, what are they?

Continuously Improve



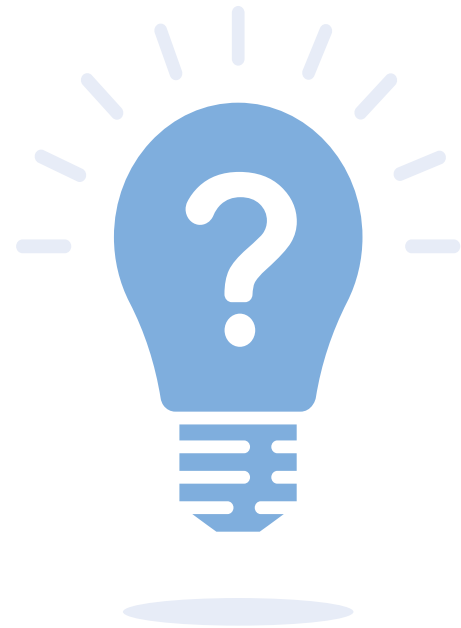
Question 9:

- When is the assistance of an attorney needed with respect to scenarios like this one?

Work with Attorney

- Attorneys play a **key role** in helping a CAA maintain accountability and avoid liability
 - Find an attorney
 - Hire an attorney
 - Pay for an attorney
 - Understand an attorney's role on the board of directors

QUESTIONS?



This training is part of the Community Services Block Grant (CSBG) Legal Training and Technical Assistance (T/TA) Center. It was created by Community Action Program Legal Services, Inc. (CAPLAW) in the performance of the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services Cooperative Agreement – Grant Award Number 90ET0505-01.

Any opinion, findings, and conclusions, or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the views of the U.S. Department of Health and Human Services, Administration for Children and Families.

Please scan
here to
complete
the
evaluation
for this
session!

