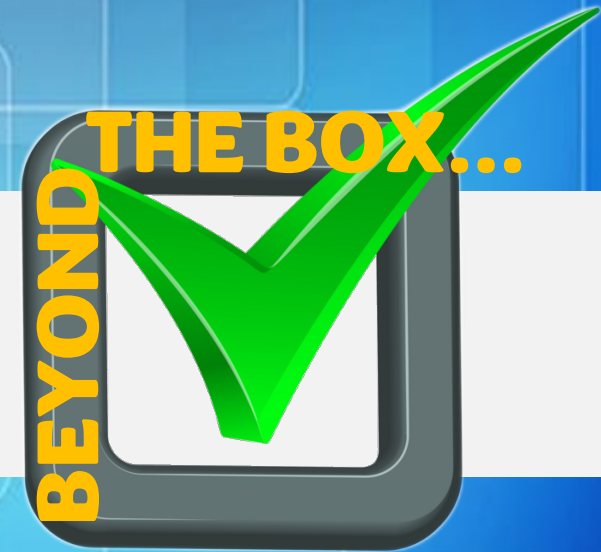




# 2024 National Association for State Community Services Programs Annual Training Conference

## Uniform Guidance Changes and Mastering Monitoring

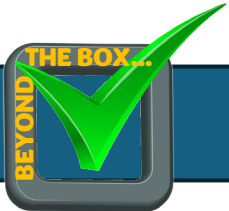
September 16 – 20 | Renasant Convention Center | Memphis, TN



TURNING  
**POSSIBILITIES**  
INTO **REALITIES**

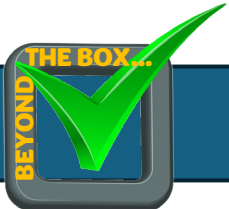
# A G E N D A

- *Uniform Guidance* changes
- Monitoring case studies



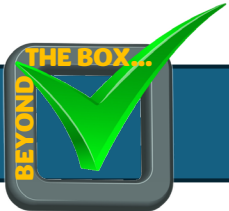
# Major OMB *Uniform Guidance* Changes

- Single Audit Threshold increases from \$750,000 to \$1 million
- Indirect Cost Recovery
  - De minimis rate goes from 10% to 15%
  - Removes provision that rates be posted on a website
- “Nonfederal entity” is now “recipient” or “subrecipient”
- Equipment and supply threshold moves to \$10,000
- Prior approval no longer required on many items
- Allows languages other than English
- Tribes may also use their own procurement rules
- NOFO template wording changes



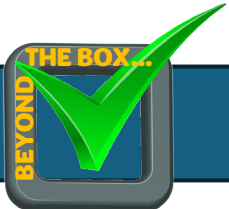
# Major OMB *Uniform Guidance* Changes

- Increased emphasis on data and evaluation:
  - Federal agencies should consider available evidence and evaluation results (from past programs) as part of designing and planning assistance programs
  - Federal agencies can require award recipients to participate in federally-funded evaluations
  - Recipients can use some of the award funding to undertake activities and cover expenditures necessary to build high quality evidence, including costs of gathering data, managing data systems, and building integrated data systems that link individual-level data from multiple State and local government agencies for purposes of management, research, and evaluation;
  - Agencies should consider evaluation activities when determining reporting requirements



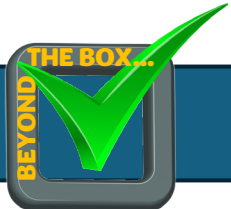
# Major OMB *Uniform Guidance* Changes

- Whistle-Blower Protection (\_\_\_\_.217)
  - “...an employee of a recipient or subrecipient may not be discharged, demoted or otherwise discriminated against as a reprisal for disclosing... information that the employee reasonably believes is evidence of gross mismanagement of a federal contract or grant, a gross waste of federal funds, an abuse of authority...a substantial and specific danger to public health or safety, or a violation of law, rule or regulation related to a federal contract or grant”
  - “The recipient and subrecipient must inform their employees in writing of employee whistleblower rights and protections...”



# Major OMB *Uniform Guidance* Changes

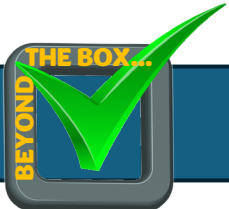
- ***\_.113 Mandatory disclosures***
  - Standard is now 'credible evidence'
    - Was previously 'violations'
  - Applicant, recipient or sub-recipient must promptly disclose in writing whenever in connection with a Federal award (whether direct or pass-through all violations of Federal criminal law, including:
    - Fraud
    - Conflict of Interest
    - Bribery
    - Gratuity violations
  - Notification is to OIG or pass-through entity



# Major OMB *Uniform Guidance* Changes

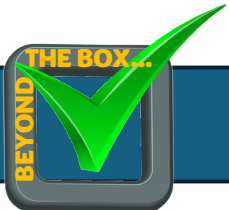
- ***\_.303 Internal controls***

- Establish, **document** and maintain effective internal control over Federal awards
- In compliance with:
  - “Internal Control Integrated Framework” (COSO)
  - “Standards for Internal Control in the Federal Government” (Comptroller General of the United States)
- Comply with U.S. Constitution, Federal statutes, regulations and the terms and conditions of the awards
- Evaluate and monitor compliance
- Take prompt action when instances of noncompliance are identified in audit findings
- Take reasonable **cybersecurity** and other measures to safeguard personally identifiable information



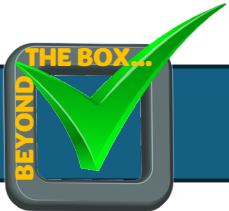
# Major OMB *Uniform Guidance* Changes

- Procurement changes:
  - Collective agreements, hiring preferences for high-poverty areas and individuals with barriers to employment
  - Geographic ban removed
    - Domestic Material
  - Allows weighing factor: number of jobs created; minimum compensation, on-the-job training, ...
  - Recipient and Sub-recipient responsible for determining micro-purchase limit
  - Prior language on requiring recipient to take 'affirmative action' to include previously disadvantaged sellers has been lessened to when practical language
  - Recovered materials





# Case Study #1



# ***State of Confusion – Current Situation***

State dictates every detail of how programs will be administered.

*“The State knows best!”*

State does detail monitoring of every agency, every year.

*“We can’t trust the agencies to do it right.”*

State follows the same monitoring program every year.

*“Consistency is key to quality”*

The long-time financial expert on your monitoring staff is retiring and you have been told you can not replace her position.

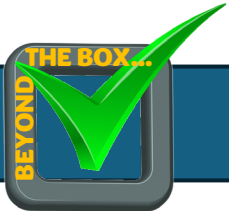
State policy ‘requires’ every monitoring on-site results in at least three (3) findings.

*“Agencies can’t improve if they’re not told what they do wrong!”*



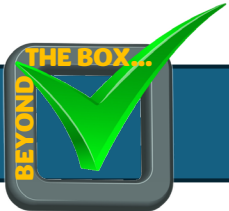
# *State of Confusion*

- You are the new State Director for the CSBG program. Can you identify any areas for improvement or modification?



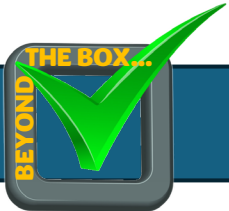
# Monitoring Best Practices

- Network Concept
  - Best performing are where all aspects working in the same direction:
    - Federal
    - State
    - Local



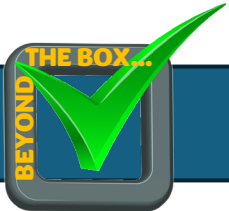
# Monitoring Best Practices

- Monitoring Principles, *NASCSP-CSPG Monitoring Standards*
  - Mutual respect
  - Open communication
  - Joint problem solving
    - Outside the box thinking
    - Openness to change
    - Different perspectives



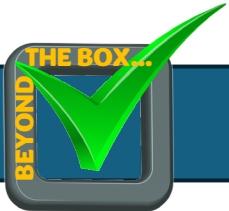
# Monitoring Best Practices

- Every agency, every year?
  - Generally, not required
  - Each agency does not have the same level of risk
  - Factors affecting risk:
    - Staff capabilities and knowledge
    - New programs
    - Different sizes and funding levels
    - Prior results and history
    - Systems in place



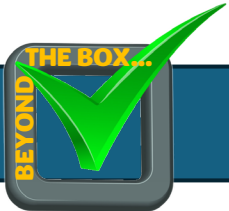
# Monitoring Best Practices

- Consistency versus flexibility
  - Both have their advantages
  - Not every situation is the same
  - Consistency across the organizations
    - Flexibility within the details
  - CPA audits require varying procedures



# Monitoring Best Practices

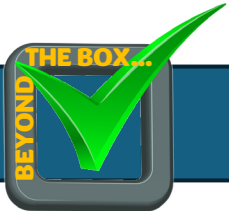
- Partnership or *Gotcha?*
  - Mutual goal is to identify a challenge before it becomes a problem
  - All network partners have the same goal
  - Everyone wins if everyone wins
  - Doesn't mean we shouldn't make improvements!
    - Identify opportunities
    - Mutually problem solve
    - Draw on other's experience
    - Training and Technical Assistance opportunities





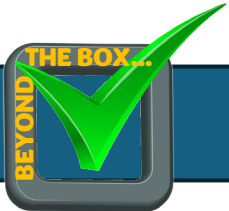
# Monitoring Best Practices

- Loss of financial expertise
  - 1. Train-up staff enough to fill in the gap
  - 2. Ask another division or bureau to perform this function
  - 3. Deploy desk reviews
    - Structured spreadsheets to highlight red flags
  - 4. Depend more on audits
  - 5. Contract out this function



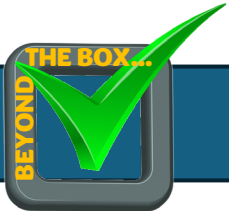
# Monitoring Best Practices

- Ramp up your risk assessment process
  - Determine the most important outcomes and highest risks to achieving those outcomes
  - Focus on these risks
  - Spend more time on the agencies with the highest risk
    - Not every year for every agency
    - Fewer days

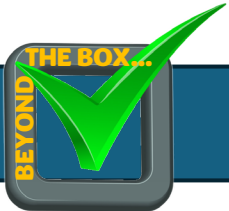


# Monitoring Best Practices

- What did I miss?
- Anything else to add?

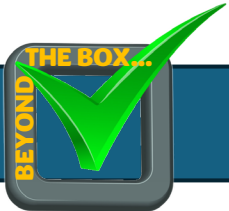


# Case Study #2



# ***Example Community Action Agency***

- You have received financial statements for an agency that you monitor
- What financial red flags do you notice?
- What procedures would you perform to determine if these red flags indicated true trouble?



# Example Community Action Agency

1. Decrease in Grant revenue – Did we lose a program? (\$1,550,000 (21%))

- Can they replace the program with a different one?
- Can they get the program back?
- **Have they adjusted the cost structure to accommodate this?**

2. Significant decrease in all non-grant revenue sources (\$826,000 / 78%)

3. Increases grant dependency (87% - 2022 / 96% - 2023)

	Without Donor Restrictions	
	2023	2022
<b>REVENUE</b>		
Government grants	\$ 5,850,000	\$ 7,400,000
Donations and other income	204,000	725,000
Program service fees	27,000	310,000
Interest income	3,000	25,000
<b>Total Revenue</b>	<b>\$ 6,084,000</b>	<b>\$ 8,460,000</b>



# Example Community Action Agency

	Without Donor Restrictions	
	2023	2022
<b>EXPENSES</b>		
Program services	\$ 6,100,000	\$ 7,095,000
Management and general	1,120,000	1,010,000
<b>Total Expenses</b>	<b>\$ 7,220,000</b>	<b>\$ 8,105,000</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(\$ 1,136,000)</b>	<b>\$ 355,000</b>
Net assets at beginning of year	998,000	643,000
<b>NET ASSETS AT END OF YEAR</b>	<b>(\$ 138,000)</b>	<b>\$ 998,000</b>

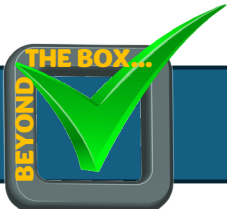
4. Net surplus to a net loss (\$1,491,000 swing)

- How are they going to 'fund' the loss?
- What does the budget look like for next year?
- Will funders continue to fund them?
- Are they now a going concern?
- What is the longer term financial and programmatic plan?

5. Net assets are now NEGATIVE!!!

6. Program Services ratio declined (87.5%-2022 / 84.5%-2023)

- How will they fund Admin costs?



# Example Community Action Agency

## 7. Cash is now fully gone!!! (half month in 2022)

- How are they going to pay the bills and employees?
- What is the resource plan going forward?
- Do you still fund this agency?

## 8. Grants collection ratio decline (< 1 month-2022 / 2 months-2023)

- Is the problem internal or external?
- How can they get reimbursed faster?

## 9. Fixed asset replacement lag

	ASSETS	
	2023	2022
<b>Current Assets</b>		
Cash	\$100	\$325,000
Grants receivable	981,000	575,000
Accounts receivable	135,000	110,000
Prepaid expenses	8,000	85,000
Total Current Assets	1,124,100	1,095,000
<b>Land, building &amp; equipment</b>		
Cost	678,000	710,000
Less accumulated depreciation	(409,000)	(358,000)
Net land, building & equipment	269,000	352,000
<b>TOTAL ASSETS</b>	<b>\$1,393,100</b>	<b>\$1,447,000</b>





# Example Community Action Agency

10. Bank overdraft!!!!

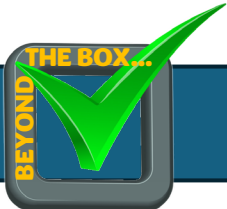
11. Increase in Accounts

- Are vendors being paid?
- Is vendor payment within state law limits?

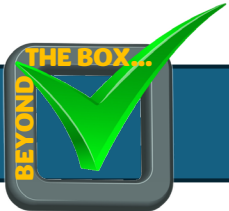
12. Additional long-term debt

- What's the repayment plan?
- What's the term of the debt –  
– will the bank 'take the keys'?
- Federal and state assets haven't been used as collateral?

	<u>2023</u>	<u>2022</u>
<b>Current Liabilities</b>		
Bank overdraft	\$132,000	\$0
Accounts payable	248,000	112,000
Accrued payroll and related expenses	166,000	178,000
Advance	75,000	15,000
Unearned revenue	104,000	28,000
Total Current Liabilities	<u>725,000</u>	<u>333,000</u>
<b>Long-Term Liabilities</b>	<u>806,100</u>	<u>449,000</u>
<b>TOTAL LIABILITIES</b>	<u>1,531,100</u>	<u>782,000</u>
<b>Net Assets</b>		
Without donor restrictions	<u>(138,000)</u>	<u>998,000</u>

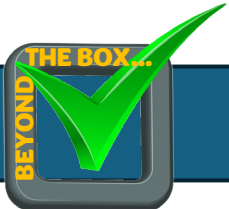


# Case Study #3



# ***Feeding Our Future***

- Timeline of a scandal
  - **January 2015:** Aimee Bock meets Christine Twait at Providers Choice Inc.
  - **June 2015:** Bock and Twait leave Providers due to the 'slow pace of growth' and start Partners In Nutrition
  - **Nov. 5, 2015:** MDE approves Partners as single site sponsor
  - **Jan 11, 2016:** MDE denies Partners' request to become a multisite sponsor due to lack of ability to demonstrate it has adequate sources of funds to operate the meals program on a daily basis.
  - **June 7, 2016:** Partners in Nutrition sues MDE, claiming wrongful denial



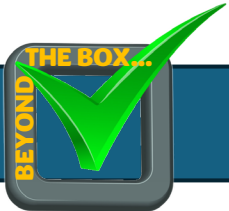
# ***Feeding Our Future***

- Timeline of a scandal, *Continued*
  - **Nov. 7, 2016:** Bock, Twait and Kara Lomen incorporate Feeding Our Future (FOF) as a result of the legal battle
  - **May 15, 2017:** Minnesota Court of Appeals rules in favor of Partners, stating the denial was based on a standard that did not appear in the federal regulations
  - **June 6, 2017:** Partners is approved as a multisite sponsor
  - **June 7, 2018:** Partners terminates Bock as executive director for "misconduct."
  - **July 27, 2018:** MDE contracts with FOF to implement federally funded meals program. FOF is reimbursed \$307,253 for meals at eight sites in its first full year.
  - **Feb. 20, 2019:** Partners files complaint with USDA claiming that Bock forged the names of other FOF founders and stole files belonging to Partners to win approval as a sponsor from MDE.
  - **Feb. 15, 2020:** IRS revokes FOF's 501(c)3 status for not filing required tax form.



# ***Feeding Our Future***

- Timeline of a scandal, *Continued*
  - **June 23, 2020:** MDE informs Partners in Nutrition that its complaint of inappropriate and unethical recruitment of meal sites by FOF "could not be substantiated."
  - **Nov. 20, 2020:** FOF files lawsuit against MDE claiming the agency has failed to act on 47 applications for meal sites; withdrawing approval for six meal sites in the amount of \$3.5 million
  - **Nov. 23, 2020:** MDE blames USDA officials for terminating in error
  - **Dec. 23, 2020:** To resolve the dispute, MDE agrees to process FOF's meal site applications
  - **December 2020:** MDE denies dozens of FOF site applications because FOF exceeds caps for maximum children served daily
  - **Jan. 4, 2021:** Bock registers Feeding our Future with Secretary of State's Office and IRS – intending to expand to other states



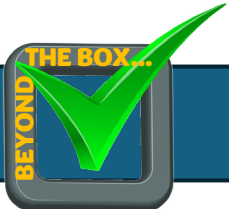
# ***Feeding Our Future***

- **March 31, 2021:** MDE informs FOF that it will no longer pay its reimbursement claims because it has not corrected various deficiencies
- **April 2021:** MDE contacts FBI and reports fraud suspicions involving FOF. FBI launches investigation following month.
- **April 29, 2021:** MDE informs FOF that it has denied all 185 pending site application requests because of the nonprofit's continuing failure to meet performance standards.
- **June 24, 2021:** Judge Guthmann issues order holding MDE in contempt of court for violating his order requiring the department to take prompt action on FOF's site applications. He orders MDE to pay \$35,750 to FOF as a sanction for its conduct.
- **July 13, 2021:** MDE approved 387 sites for FOF, more than three times the size of FOF's network in 2020.
- **Jan. 20:** Feeding Our Future investigation breaks into public view as FBI and other law enforcement personnel search more than a dozen locations, including Bock's home and FOF office in St. Anthony.
- **Sept. 20:** U.S. Attorney Andrew Luger announces criminal charges against Bock and 47 other people affiliated with Feeding Our Future, alleging the conspirators stole \$250 million in taxpayer funds meant to feed needy children. Luger says more indictments are coming.



# ***Feeding Our Future***

- Allegations:
  - FOF received ‘consulting fee’ to help create locations
  - Individuals were paid to ‘create invoices’ for reimbursable expenses
  - Multiple layers of kickbacks and bribes
  - Homes, autos, jewelry, resorts, gold bars, etc., .... were purchased
  - Numerous others were recruited
  - Fake invoices
  - Inflated meal counts
  - No monitoring of meal sites (requirement for FOF)
  - **\$250 million**

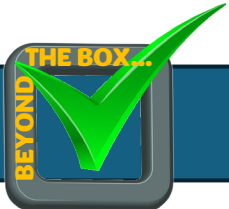




# ***Feeding Our Future***

MDE Payments, To Selected Nonprofit Networks, By Fiscal Year, In \$								
Network	City	FY17	FY18	FY19	FY20	FY21	FY22	Totals
Feeding Our Future	St. Anthony			1,366,056	4,807,265	140,352,496	98,562,581	245,088,398
Partners in Nutrition	St. Paul	67,073	4,729,684	5,202,023	6,277,011	96,360,451	102,074,702	214,710,944
Gar Gaar Family Services	Minneapolis					21,195	26,621,268	26,642,463
Totals		67,073	4,729,684	6,568,079	11,084,276	236,734,142	227,258,551	486,441,805

- Current Status
  - 70 charged or indicted
  - 18 plead guilty
  - 7 Defendants on trial
    - 5 Found guilty

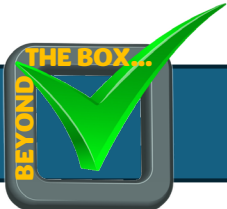




# *Feeding Our Future*

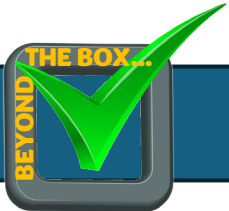


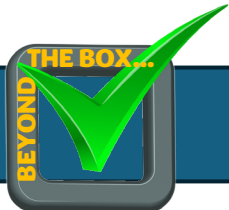
- There's more!!!!
- \$120,000 dropped off a juror's doorstep
  - “More where this came from if we're found innocent”
- 1 of 2 found not guilty was responsible for the attempted bribe!!!



# ***Feeding Our Future***

**Anything we can take away  
from this as monitors?**

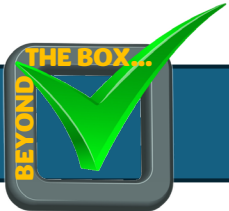




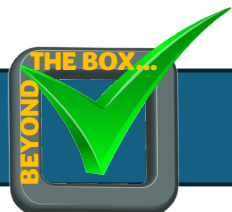
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# Resources

- ✓ [CSBG State Monitoring Reports](#)
- ✓ [State Management Work Group Compendium of Promising Practices – Monitoring](#)
- ✓ [State Management Work Group Tools and Resources – Monitoring](#)
- ✓ [NASCSP's CSBG Monitoring Standards](#)
- ✓ NASCSP Peer-to-Peer Resources (login required):
  - ✓ [Risk Assessment Templates](#)
  - ✓ [Monitoring](#)
  - ✓ [Corrective Action, Termination, or Reduction of Funding](#)

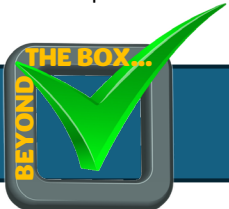


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complete the  
evaluation for  
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