

De-Designation and Voluntary Relinquishment

April 17, 2025



Agenda



- What is De-Designation?
- CSBG Termination for Cause: Key Stages & Decision Points
- What is Voluntary Relinquishment?
- State Spotlights
- Wrap Up

What is De-Designation

The process by which a Community Action Agency (CAA) is formally removed as an eligible entity under the Community Services Block Grant (CSBG) program due to noncompliance or other qualifying factors.

Why It Happens:

- Consistent failure to meet Organizational Standards
- Misuse of CSBG funds
- Governance or performance issues
- Voluntary relinquishment of designation

CSBG Termination for Cause

Key Stages & Decision Points



RISK ASSESSMENT



STATE MONITORING



NOTIFICATION OF
DEFICIENCY



TECHNICAL
ASSISTANCE



QUALITY
IMPROVEMENT PLAN



OPPORTUNITY FOR
HEARING



TERMINATION
DECISION



FEDERAL REVIEW



DESIGNATION OF
NEW ENTITY

What Is Voluntary Relinquishment?

A formal decision by a CSBG-eligible entity to return all or a portion of its CSBG funding and/or to relinquish its designation as the eligible entity for a service area.

State Administrator's Role:

- **Confirm Intent:** Receive and document formal notification from the entity
- **Coordinate with OCS:** Notify the Office of Community Services (OCS) as required
- **Assess Impact:** Evaluate implications for service delivery and community needs
- **Plan Transition:** Initiate process to ensure continued CSBG services in affected areas
- **Provide Guidance:** Offer technical support and communication throughout the transition



Michigan

Melanie Sanford

Mission

Michigan Department of Health and Human Services (MDHHS) provides opportunities, services, and programs that promote a healthy, safe and stable environment for residents to be self-sufficient.

What does it take to start de-designation conversations?

Intentional fraud,
waste and/or
abuse that is not
corrected

Demonstrated and
repeated lack of
internal controls

Inability to sustain
programs

Resources and Best Practices

- Watch for red flags to avoid the need for de-designation.
- Stay in constant communication with your Program Specialist.
 - We met regularly with OCS for status updates and guidance. Having them up-to-date helped the response time when we had questions or if the CAA that was going through the de-designation process reached out to them directly.
 - It is not in your best interest to let them be surprised by any actions involving this if they hear it from any entity that is not the state office overseeing the process or if it is late in the process. All the work you have done may be obsolete if you missed a step. They are here to help.
- NASCSP has a wealth of knowledge and tools, including connections with other states that can offer peer guidance.
- CAPLaw has invaluable information.
- NCAP can help offer support on the side of the eligible entity—either to help them right the ship or to work through the transition.
- Document, document, document!

Steps to follow in Michigan

CSBG Act

Administrative Rules

Information Memorandum 116

Peer Review

MDHHS Director

Governor's Office

Appeal process (if requested by the grantee)

- Administrative Hearing
- Federal Review

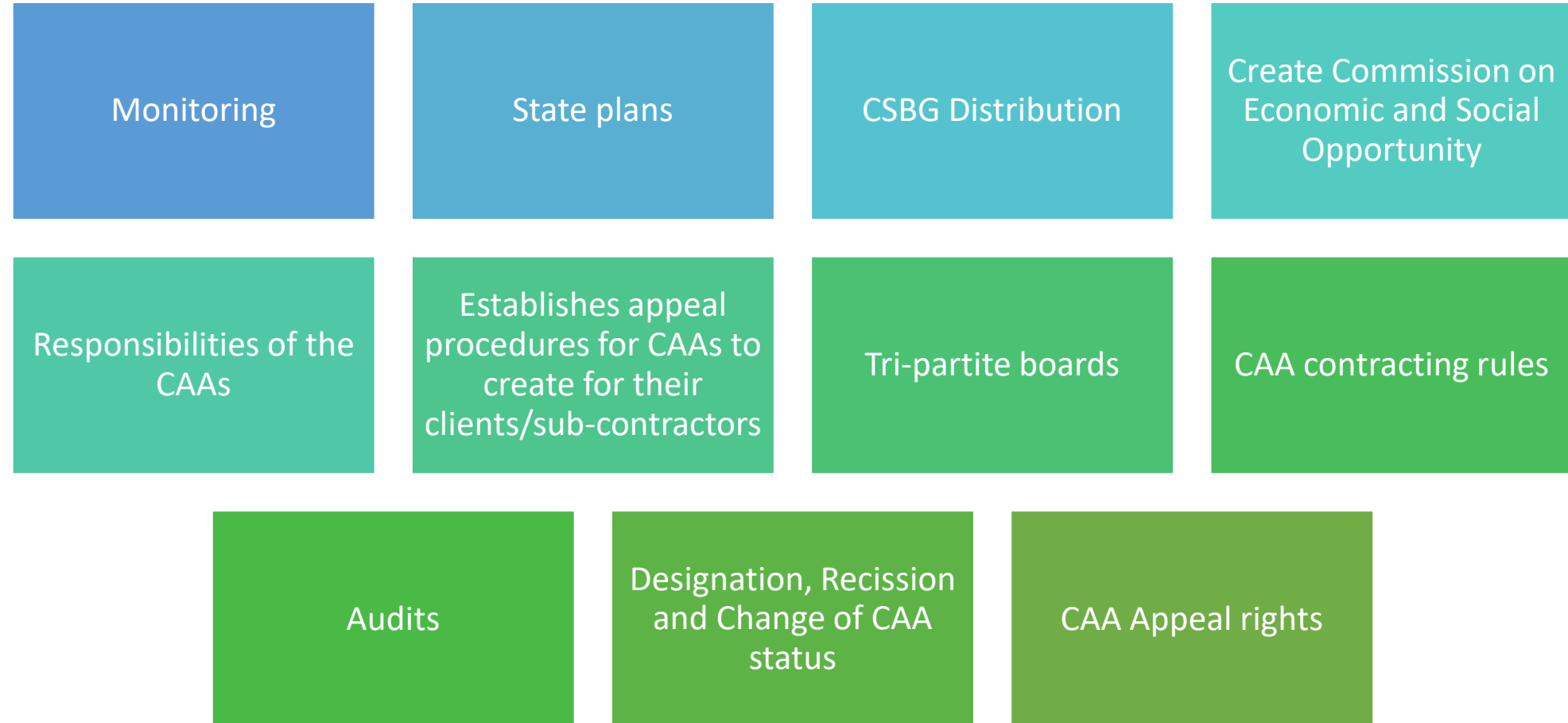
Michigan's State Administrative Rules

- [MCL - Act 230 of 1981 - Michigan Legislature](#)
- [2003-PA-0123.pdf \(mi.gov\)](#)

Created with legal oversight to define the rules and regulations on how the state and CAAs conduct business.

Signed into law and cannot be amendment without legal review and legislative action.

Michigan's State Administrative Rules--Contents



Michigan's State Administrative Rules—Rescinding Designation



(2) Before designating or rescinding the designation of a community action agency, the executive director shall do all of the following:

(a) Consult with the director.

(b) Consult with the chief elected official of each county and of each city, village, or township with a population of not less than 100,000 within the existing or proposed service area.

(c) Hold at least 1 public meeting in the service area to provide low income and other citizens living within the service area the opportunity to review and comment upon the strengths and weaknesses of the existing or proposed community action agency.

(d) Consult with and obtain the advice of the commission on the proposed action.

State Administrative Rules—Grantee Responsibilities

R 400.19402 Community action agencies; responsibilities and functions.

R 400.19403 Community action agencies; required procedures.

R 400.19404 Community action agencies; required procedures for appeals and appeals hearings.

R 400.19411 Community action agency board; membership responsibilities.

R 400.19412 Listing and identification of community action agencies.

R 400.19413 Compliance with state and federal laws.

R 400.19414 Public meeting requirements.

R 400.19415 Schedule and notice of meetings.

R 400.19106 Grantee Reporting Requirements.

R 400.19105 Grantee; written operating procedures

Name ▾	Contents ▾
.Step 1 - State conducts review pursuant to section 678B	
.Step 2 - State determines goals	
.Step 3 - State informs the entity of the deficiency to be corrected	Several monitoring reports that include deficiencies to be corrected
.Step 4 - State requires the entity to correct the deficiency	
.Step 5 - State determines whether training and technical assistance are appropriate	T/TA Report
.Step 6 - State offers training and technical assistance, if appropriate, to help correct t...	
.Step 7 - State either (A) prepares and submits to the Secretary a report describing th...	T/TA Report with supporting data
.Step 8 - At the discretion of the State QIP	Includes comprehensive QIP review and Settlement Agreement with Amendments. --Outlines QIP Expectations and provides \$40,000 for T/TA
.Step 9 - State provides adequate notice and an opportunity for a hearing	Notice of De-Designation and Opportunity for Appeal. Agency request for Appeal
Step 10 - State initiates proceedings to terminate the designation	

IM-116

Ensuring a Seamless Transition

- To avoid a delay in services and remain in federal compliance, the agreement with the agency going through the de-designation process was active until the day we received support from OCS' final review.
- Concurrently, we posted a Request for Proposal with an estimated service begin date that was contingent on the official de-designation proceedings.

RFP Criteria

- Bidders must be an existing CAA designated by the State of Michigan. Per the BCAEO Administrative Rules, preference will be given to an existing CAA that is located and/or provides service in an area contiguous to the service area. The expansion of the service area cannot be held in a subsidiary organization.
- The bidder's agency must currently operate with a tripartite board as defined by the Community Services Block Grant Act, 42 U.S.C. 9901 *et seq* as amended. Bidders must be governed by a tripartite board that fully participates in the development, planning, implementation and evaluation of the programs to serve low-income communities. Representatives from the service area added to the bidder's tripartite board may not have served on the existing CAA's Advisory or Governing Board for the past three years.
- Bidders will demonstrate strong financial control and accounting procedures necessary to assure the proper accounting of Federal funds.
- Bidders will demonstrate timely single audits as a low-risk organization.
- Bidders will demonstrate the capacity for effective service delivery and an understanding of client eligibility of community, social, and economic programs.
- Bidders will demonstrate collaborative partnerships in designing comprehensive strategies, services, and activities to strengthen low-wealth children and families.
- Preference will be given to bidders that currently provide services in a service area contiguous to the service area. BCAEO may use discretion to award to a non-contiguous CAA.

Key factors to success



**Effective Supporting
Documentation**



**Strong Internal
Controls**



**Timely Resolution of
monitoring findings**

Learning from findings to avoid
repeating the same mistakes



**Avoid losing funds
from other sources**



**Excellent Communication
with BCAEO**



**Segregation of
Duties**



**Clean Single
Audits**



**Appropriate Cash
Reserves**



**Meeting the Community
Needs & Program Goals**



**Strong Knowledge &
Use of Policy**

Realistic tips to mitigate risk

- Adhere to your internal controls
- Adhere to state and federal regulations
 - When in doubt, reach out to the state office or 3rd party audit firm to verify allowable expenses
- Don't panic, we are here to help. We can if you are on a corrective action of any type.
 - CAPs, TAPs and QIPs can be overcome.
- Remember that losing a grant does not mean you are automatically going to be de-designated.
 - Consistent demonstrations of fraud, waste, or abuse may, however, lead to it, but it is not an overnight process.
- Voluntary termination of a grant is not generally a red flag. It is better to voluntarily terminate than have a funder terminate for cause.

Realistic tips to mitigate risk

- Read and understand your contract language and state program policies (and other funder's policies).
- Ensure your staff are trained on intake and know how to find policies when they have questions.
- Address and respond to monitoring (grantor, single audit, etc.) findings timely. Repeat findings and severe deficiencies are cause for concern.
- Audit your data and client files as well as your internal controls and other financial records periodically.
- Are your Strategic Plan and Community Needs Assessment being followed?

If we went through this again—we would

- Repeat the strong communication with OCS.
- Repeat the use of the tools available.
- Repeat the documentation retention and organization.
- Set clear expectations from the start—in our situation, we took the eligible entity's word that they were making progress toward their QIP goals. Once the first monitoring took place, we realized they had actually regressed. At that point, we had to reset everything and start from the beginning with expectations and examples of what kind of supporting documentation was needed.
- Be very sad.



Georgia

Cynthia Bryant and Consuela Thompson

From Threat to Opportunity

*Leveraging IM-116
Strategies for Continuous
Improvement*



IM116: Insights from a CAA and State Association



Proactive strategies for compliance and funding preservation



Case study examination: West Central Georgia CAC and GCAA

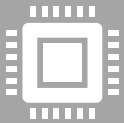


Integration of documentation and corrective action tools from IM-116 for continuous improvement

IM116 & CSBG Guidance



Connect this framework to the CSBG guidance that requires due process and robust documentation before terminating or reducing funding.



Highlight that CAAs and State Associations continue to address challenges through early detection and intervention strategies; key to turning organizational threats into opportunities.




Observe key elements from CSBG IM #116, such as the structured corrective action processes to facilitate capacity building and infrastructure stability.

Proactive Strategies for Compliance & Quality Improvement

- Build expertise. (*Organizational Standard 7.9*)
 - Continuous staff and board training on IM-116 and CSBG requirements
 - Implementing early detection systems, such as routine monitoring visits and audit protocols, highlighting the importance of identifying deficiencies early
- Ensure deficiencies are identified before they escalate, allowing for swift corrective measures. (*RPIC Project Goals/Objectives #4. Relationship-building, Collaboration, and Information-Sharing Efforts with CSBG State Lead Agencies*)

“The IM-116 framework serves as a roadmap for these initiatives, ensuring that every action is compliant and well-documented.”



Implementing Robust CAPs and QIPs

- Board of Directors must be informed, knowledgeable of the condition of the CAA, courageous, and ready to work.
 - Tough decisions must be discussed.
 - This is not the time for finger-pointing, because everyone is accountable.
 - Organizational culture and resilience needs to be assessed.
- Corrective Action Plans (CAPs) and Quality Improvement Plans (QIPs) development
 - Based on IM-116 guidelines, documenting each step per protocol requirements.
 - Customizing approaches based on identified deficiencies.
 - Tailor to enhance service delivery.
- Stakeholders and Partnerships
 - “Juggernaut” perspective.
 - Embrace role(s) and responsibility of the past, accountability for the present, and vision for the future.

Leveraging Collaboration and Peer Networks

- Interagency Collaboration
 - Share resources, lessons learned, and best practices
 - Shame, embarrassment, and egos are not welcomed in this process; acknowledge, validate, and address importance to garner the courage to request and embrace help.
- Leverage Peer Networks
 - Utilize support systems for innovative problem-solving: community stakeholders, partners, specialized experts (attorney, accountant, marketing firm, etc.)
- Engage the Community
 - Use community insights to improve service delivery and secure support

Case Study: West Central Georgia CAC & GCAA

- Background of the West Central Georgia CAC and GCAA Experience
 - Identification of deficiencies
 - Issuance of corrective notifications
 - Preparing for steps as outlined in IM #116
 - Implementation of a tailored QIP to address the issues
- Capacity Building & Quality Improvement
 - Training & Technical Assistance
 - Continuance Growth and Development

Key Lessons Learned

- Adherence to IM #116's procedures led to successful corrective actions and ultimately preserved agency operations and funding.
- We should not underscore the invaluable nature of early detection and proactive intervention.
- Robust documentation is a central element of the IM #116 process, ensuring that every step, from corrective notifications to the implementation of action plans.
- Tailored and comprehensive Corrective Action and Quality Improvement Plans are important to the healing process, facilitating the development of a healthy organization.
- Interagency collaboration and peer network engagement are paramount.
- Timely and transparent communication and updates are necessary.
- Understanding the organizational life cycle provides invaluable insights for decision-making and continuous improvements.
- The commitment to ongoing capacity building ensures that the board, staff, and stakeholders are well equipped to manage and prevent challenges, thereby transforming potential threats into opportunities for organizational growth.

Call to Action

*“The call-to-action for state CSBG leads centers on transforming challenges into opportunities through proactive measures, collaborative engagement, continuous training/technical assistance, and a steadfast commitment to accountability for all stakeholders. A **win** for the community, a **win** for the community action agency/state association, and a **win** for the State CSBG Lead.”*



CSBG Member Resources

Login Credentials
Required

Corrective Action, Termination, or Reduction of Funding



Help your peers by submitting your tools and resources to our Peer Resources Library! E-mail your materials to Hugh Poole (hpoole@nascsp.org)

- De-designation/Termination of Funding
 - MN – Termination and Reduction of Funding Sample
 - TX – De-designation Administrative Code
- Corrective Action Plans
 - Developing a Corrective Action Plan
 - MN – Corrective Action Plan Sample
 - MN – CSBG Corrective Action Process Sample
 - NC – Monitoring & Corrective Action Process
- Quality Improvement Plans

+ Illinois

<https://nascsp.org/member-resources/csbg-member-only-resources/peer-to-peer-requests/corrective-action/>



Peer Convening



Questions

*Please scan
here to
complete the
evaluation
for this
session!*

