Cost Allowability Under CSBG

For state CSBG monitoring and training and technical assistance staff — practical, plain-language fiscal judgment for effective program oversight.

Topics Covered

- Allowability
- Allocation
- Indirect Costs
- Organizational Standards
- ROMA

What You Will Be Able to Do

By the end of this training, you will have a practical toolkit for evaluating costs charged to CSBG.

Apply a Framework

Use a plain-language CSBG cost allowability framework during monitoring reviews.

Separate Budget from Allowability

Understand why budget approval does not automatically make a cost allowable.

Recognize Allocation Issues

Spot cost allocation, indirect cost, and administrative classification red flags.

Connect Fiscal to ROMA

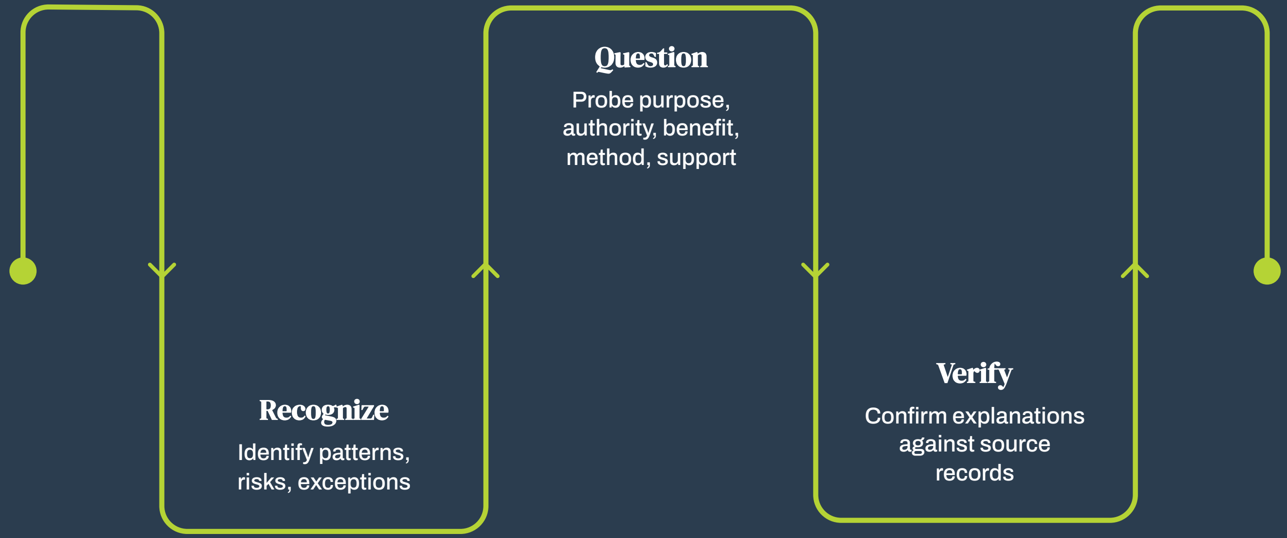
Link fiscal review findings to Organizational Standards and ROMA results.

Turn Red Flags into Action

Convert red flags into verification questions and targeted T/TA recommendations.

The Monitor's Lens: Recognize, Question, Verify

Effective fiscal monitoring is not about catching errors — it is about understanding what happened, why, and whether it was appropriate. Use this three-step lens on every review.



Document the condition, evidence reviewed, management response, and your conclusion. Remember: monitoring supports both compliance *and* capacity building. A good monitor leaves the agency better prepared for next time.

Which Rules Control?

Multiple layers of authority govern CSBG cost decisions. Always apply the **most restrictive applicable requirement** — CSBG flexibility does not mean unrestricted spending.

1

Level 1 — CSBG Act & Federal Award

Statutory authority and specific federal award terms and conditions

2

Level 2 — 2 CFR Part 200

Uniform Guidance cost principles, Subpart E

3

Level 3 — OCS Guidance

OCS information memoranda, CSBG fiscal FAQs, and program guidance

4

Level 4 — State Requirements

State plan, state law, state policy, and subaward terms

5

Level 5 — CAA Policies

Fiscal policies, cost allocation plan, and indirect methodology

POLL 1 OF 4

Does Budget Approval Make a Cost Allowable?

A CAA's budget has been approved by the state, and the relevant budget line still has available funds. Is the cost automatically allowable?

A

Yes — approval settles the issue.

B ✓

No — allowability, allocability, consistency, timing, and documentation rules still apply.

C

Yes — if the budget line still has funds available.

D

Only if the cost is below $10,000.

Key Takeaway: A budget authorizes planned spending. Transaction records — invoices, time sheets, approvals — are what justify charging a specific cost to CSBG.

A Five-Step CSBG Cost Allowability Framework

Use this framework in sequence during any fiscal review. Each step builds on the last skipping a step often means missing the real issue.

1

1. Connect to Need & Plan

Link the cost to assessed community need, the Community Action Plan, and intended ROMA results.

2

2. Check CSBG Authority

Verify the cost fits the CSBG Act's purpose, any restrictions, and specific award conditions.

3

3. Apply 2 CFR 200

Apply Uniform Guidance allowability standards and relevant selected cost principles.

4

4. Apply State Rules

Check state specific requirements, subaward terms, and any required prior approvals.

5

5. Document Everything

Record purpose, benefit, allocation method, approvals, and supporting evidence.

Can CSBG Pay?

The federal allowability test is a six-part checklist. A cost must satisfy **all six** criteria — not just one or two.

- ### Necessary & Reasonable

  The cost must be needed for the award and reflect what a prudent person would pay.

- ### Allocable to CSBG

  Charged based on relative benefit received — not budget availability.

- ### Consistently Treated

  Applied the same way under the CAA's written policies across all programs.

- ### Permitted by Law & Award

  Not prohibited by federal statute, state policy, or award-specific terms.

- ### Timely

  Incurred within the allowable award period and budget period.

- ### Adequately Documented

  Another reviewer can follow and reperform the cost decision from the records.

Necessary, Reasonable, and Consistent

These four criteria are the heart of cost allowability. They require judgment   not just math. Ask these plain language questions during any review:

The Prudent Person Test

Would a prudent person pay this amount for this purpose? Is it ordinary and market based?

Proportionate to Activity

Is the cost proportionate to the approved strategy or service connected to CSBG purposes?

Same Treatment Across Programs

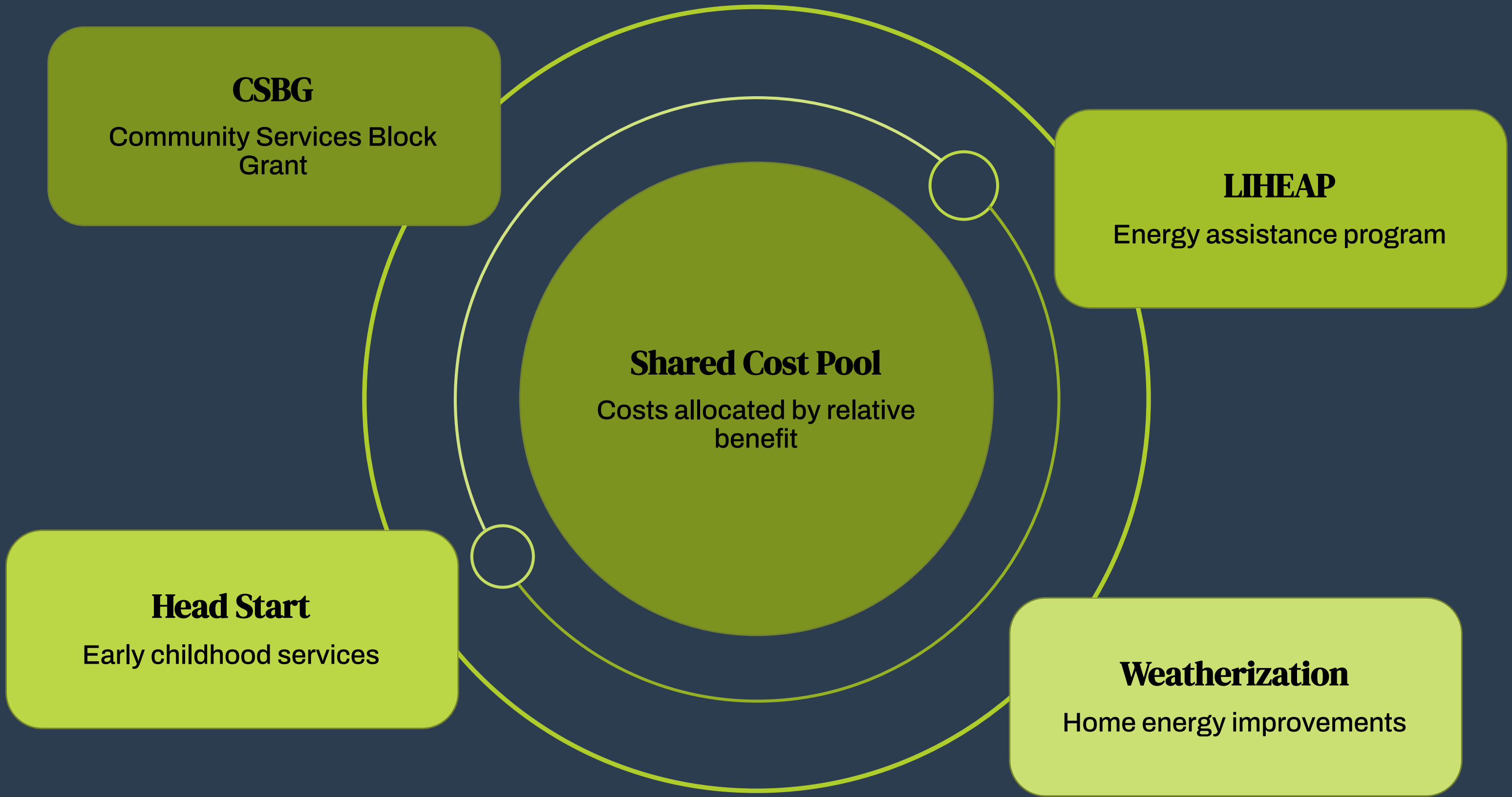
Is this cost treated the same way as similar costs charged to other funding streams?

The Outside Reader Test

Would the documentation make sense to someone outside the agency   say, a federal auditor?

Allocability: Follow the Relative Benefit

Allocability means a cost is charged to a program in proportion to the benefit that program receives. It is one of the most commonly misapplied principles in CSBG monitoring.



- Direct charge CSBG **only** when the cost specifically and exclusively benefits CSBG.
- Allocate shared costs to **every** program or activity that benefits not just the most flexible one.
- Use an allocation base that reasonably measures benefit not what is most convenient.
- **Budget availability is not an allocation method.** Never charge CSBG for costs belonging to another stream.

Documentation, Timing, Credits, and Approval

Even an otherwise allowable cost can be disallowed if the support is missing, the timing is wrong, applicable credits were not applied, or required prior approval was skipped.

Source Support

Match every charge to an invoice, contract, payroll record, or other primary source document.

Award Period

Confirm the cost falls within the approved award period and budget period — not just close to it.

Prior Approvals

Identify which costs require prior approval before assuming approval is not needed.

Credits & Offsets

Reduce the charged amount for rebates, refunds, discounts, or other applicable credits before billing CSBG.

Retain support for purpose, benefit, approval, allocation basis, posting, and reconciliation — organized so another reviewer can follow the entire decision.

Selected Costs and CSBG-Specific Restrictions

Certain cost categories carry additional scrutiny under 2 CFR Part 200 and CSBG-specific guidance. Encountering one of these is a cue to dig deeper — not an automatic disallowance.

Entertainment & Food

Generally unallowable unless directly tied to the program purpose with clear documentation.

Lobbying & Fundraising

Prohibited under federal cost principles — check for commingled activities.

Travel & Conferences

Must be necessary, reasonable, and benefit CSBG activities. Check per diem and registration costs.

Capital Items

Equipment and construction may require prior approval or be subject to special federal rules.

Memberships

Allowable only when the membership benefits the CSBG program and is consistently treated.

For any high-review cost, ask the full question: permitted by rule, necessary, reasonable, allocable, consistently treated, timely, and documented? When uncertain, request the controlling source and the agency's written rationale.

POLL 2 OF 4

The Multi-Program Leadership Conference

Scenario: A CAA's leadership conference benefits CSBG, LIHEAP, Weatherization, and Head Start. The CAA proposes charging 100% of the conference cost to CSBG because "CSBG is flexible."

A

Allow it — CSBG is a flexible funding source, so full charge is acceptable.

B

Charge the program with the strongest remaining budget balance.

C ✓

Allocate the cost among all benefiting programs using a documented, reasonable method.

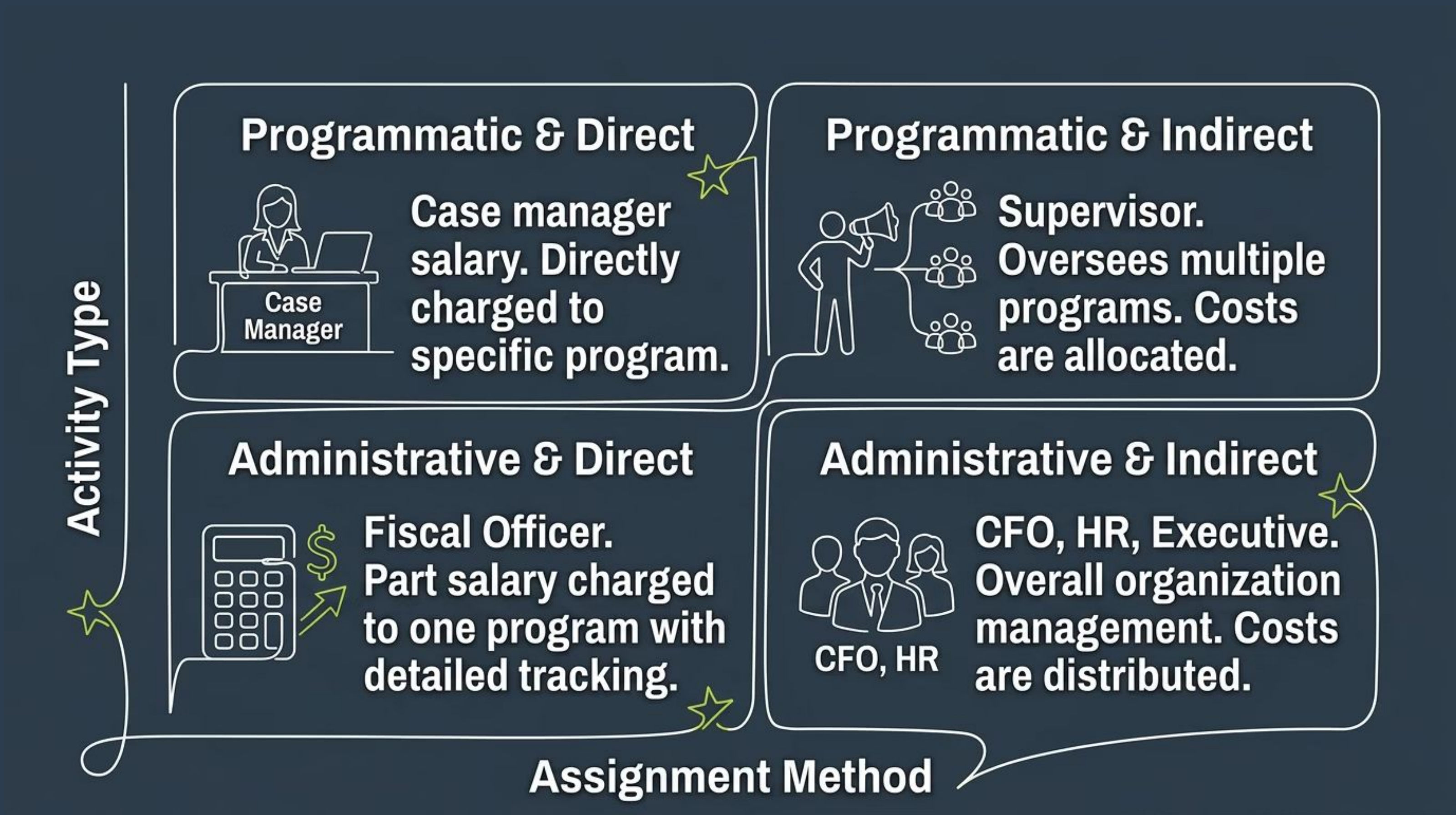
D

Disallow all training and conference costs for multi-program events.

Key Principle: CSBG flexibility does not replace the relative benefit rule. When multiple programs benefit, all must share the cost proportionally.

Direct, Indirect, and Administrative Costs

These terms are frequently confused. Getting the definitions right matters for classification, caps, and monitoring findings.



Assignment vs. Activity Type

Direct vs. indirect describes how a cost is assigned to a cost objective. **Programmatic vs. administrative** describes what the activity actually does. These are independent dimensions a cost can be administrative, indirect, both, or neither.

Function Over Title

Job function and actual benefit matter far more than job title. Do not assume every executive, fiscal, or shared cost is automatically administrative or automatically indirect.

The Cap Distinction

The CSBG Act's greater of $55,000 or 5% administrative limit applies to the **state's retained administrative expenses**. Apply a CAA level cap only if state policy or subaward terms explicitly impose one.

Cost Allocation Methods That Reflect Benefit

A cost allocation plan is a living document it must reflect how the agency actually operates today, not how it operated when the plan was written.

Choose a Base Tied to Benefit

Common bases include time and effort, square footage, FTE counts, transaction counts, usage logs, or units served. Choose the one that best reflects how each program actually uses the shared resource.

Use Current Data

Use current, actual data not estimates from prior years and reconcile all allocations to the general ledger regularly.

Update When Operations Change

When programs, staffing, facilities, or funding change, update the plan promptly. Set an effective date, recalculate affected allocations, and determine whether prior charges need correction.

Using CSBG for Indirect Costs

CSBG can support allowable indirect costs — but only when the costs genuinely benefit CSBG and are charged consistently across all programs.

$$\text{Indirect Charge} = \text{Rate} \times \text{Eligible Base}$$

Three Rate Options

01

Federally Negotiated Rate

Established through a federal cognizant agency. Most reliable and widely accepted.

02

State-Approved Method

Some states approve their own indirect cost methodologies for subrecipients.

03

De Minimis Option

Up to **15% of Modified Total Direct Costs (MTDC)** for recipients or subrecipients without a current federally negotiated rate.

⚠ Indirect recovery does not make an otherwise unallowable cost allowable. The rate must be applied to the proper base and reconciled to ledgers and financial reports.

POLL 3 OF 4

The Executive Director's Time

Scenario: The executive director spends 20% of their time on documented CSBG-specific coordination and 80% on agency-wide management functions that benefit all programs.

A

Charge 100% to CSBG — the ED oversees CSBG so the full salary is allowable.

B

Charge 100% as indirect because of the executive title.

C

Charge the program with the most available funds.

D ✓

Directly charge the documented CSBG-specific 20% and allocate the shared 80% consistently across all benefiting programs.

Key Principle: Classify the function, document the effort through time records, and assign the cost according to actual benefit — not title or budget convenience.

Monitoring Evidence and Red Flags

Effective monitoring starts with knowing what evidence to request — and what patterns signal a deeper issue worth investigating.

Evidence to Request

- Community Action Plan and approved budget
- General ledger and posted journal entries
- Invoices, contracts, and procurement support
- Time and effort records (timesheets, certifications)
- Cost allocation schedule and rate documentation
- Prior approvals and award-specific conditions
- Reconciliations to financial reports

Red Flags to Investigate

- Residual charging: CSBG absorbs leftover costs
- Fixed round percentages with no documented basis
- Allocation plan that hasn't been updated in years
- Programs omitted from the allocation pool
- Unsupported journal entries or adjustments
- Double charging across funding streams
- Wrong indirect rate or wrong MTDC base applied

A red flag is a reason to verify — not an automatic finding. Use neutral questions: "Show me the benefit, method, source support, approval, and posting." Document the issue, evidence requested, management explanation, and follow-up conclusion.

Organizational Standards and ROMA

Fiscal monitoring does not exist in isolation — it connects directly to the standards and outcome framework that define Community Action accountability.

Category 8: Financial Operations

Organizational Standard **8.12** requires private nonprofit CAAs to document shared-cost allocation through either a federally negotiated indirect cost rate or a written cost allocation plan.

Public CAAs may have different or non-applicable evidence requirements — use the public-entity version and your state's assessment tool rather than applying private-CAA standards automatically.

ROMA: Closing the Loop

ROMA connects spending decisions to the full program cycle:

01

Assessed Needs

Community needs assessment drives resource decisions.

02

Planned Strategies

Community Action Plan links spending to strategy.

03

Services & Outcomes

Fiscal evidence plus service and outcome data tells the full story.

04

Evaluation & Adjustment

Results inform future planning and resource allocation.

A New Program Was Left Out of the Allocation Plan

Scenario: A CAA added a Weatherization program six months ago. The existing cost allocation plan still distributes shared costs only among CSBG, Head Start, and LIHEAP — Weatherization is not included.

A

Leave the plan unchanged until the next annual update cycle.

B ✓

Update the plan now, include Weatherization, set an effective date, evaluate whether prior charges need correction, document all changes, and follow up.

C

Let CSBG absorb the additional shared costs because it is a flexible source.

D

Disallow every indirect and shared cost until the plan is corrected.

Key Principle: A cost allocation plan must reflect current operations and include *all* programs that benefit from shared costs — not just the programs that existed when the plan was last written.

The Six-Question Cost Review

Use this framework as your closing checklist on every CSBG fiscal monitoring review. Each question maps to a specific regulatory or policy standard.

01

Need, Plan & Outcome

What need, plan activity, or ROMA outcome did this cost support?

02

Rule or Restriction

Which federal, CSBG, state, or subaward rule allows or restricts it?

03

Benefit & Allocation

Who benefited, and how was relative benefit identified and measured?

04

Reasonable, Consistent & Timely

Was the cost reasonable, consistently treated, incurred on time, and net of applicable credits?

05

Documentation

Is the support sufficient for another reviewer to reperform the full decision?

06

Monitoring Response

What is proportionate: no issue, clarification needed, T/TA referral, corrective action, or questioned cost?

Source Anchors

Use these authoritative sources when developing findings, providing T/TA, or preparing written guidance for eligible entities.

Federal Regulations

- 2 CFR Part 200, Subpart E — Cost Principles
- 2 CFR 200.414 — Indirect Costs
- CSBG Act, Uses of Funds — 42 U.S.C. 9907

OCS Policy Guidance

- OCS CSBG IM 37 — Direct and Administrative Cost Allowability
- OCS Fiscal CSBG Frequently Asked Questions

NASCSP Resources

- NASCSP CSBG Webinars — Cost Allocation Parts I and II
- NASCSP 2026 Cost Allocation in CSBG Slides
- NASCSP 2026 Cost Allocation Case Studies

Community Action Partnership

- Category 8 Financial Operations and Oversight Guide
- National Community Action Partnership — Cost Allocation

Keep Building Your Fiscal Lens

Recognize. Question. Verify. Document.

Cost allowability is not about catching agencies out — it is about ensuring that every dollar charged to CSBG genuinely serves the low-income communities CSBG was designed to help. Strong fiscal monitoring builds trust, strengthens capacity, and protects the integrity of the entire program.

For Monitoring Staff

Use the six-question framework and the recognize-question-verify lens on every review.

For T/TA Staff

Turn red flags into targeted technical assistance — help CAAs build stronger systems, not just correct past errors.

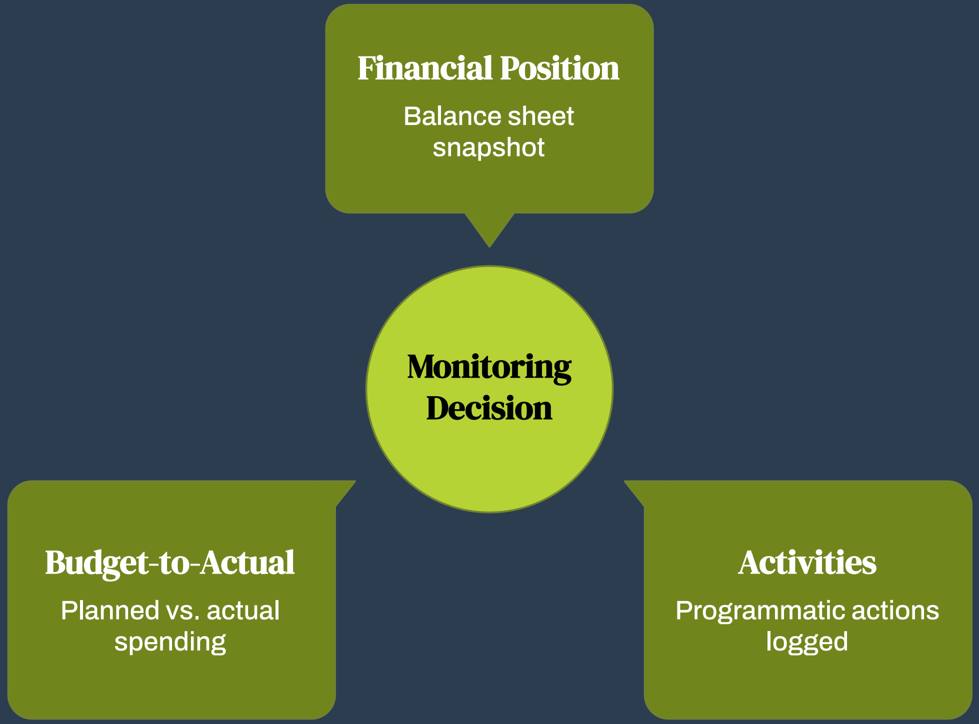
Questions?

Reach out to your OCS regional program specialist or consult the source anchors on the previous slide.

Reading the Story Behind the Numbers

Monthly Financial Statements and Fiscal Health for State CSBG Monitoring

Designed for state CSBG staff who provide subrecipient monitoring and training and technical assistance to Community Action Agencies. This session connects the numbers on the page to the questions that protect services and communities.



LEARNING OBJECTIVES

What You Will Be Able to Do

By the end of this session, you will have four practical capabilities to apply immediately in subrecipient monitoring and technical assistance work.

Read

Navigate the three core views in a monthly financial package — position, activities, and budget-to-actual — and understand what each is telling you.

Recognize

Identify early indicators of liquidity, operating, and reporting risk before they become compliance issues or service disruptions.

Connect

Link financial information to CSBG Organizational Standards and the ROMA cycle to ground monitoring in the full accountability framework.

Respond

Turn observations into well-formed monitoring questions and targeted training and technical assistance proportionate to the level of risk.

POLL 1 OF 4

A Balanced Budget Is Only the Beginning

A CAA reports that its annual budget is balanced. Which information gives the best next view of current fiscal health?

A

Board minutes showing approval of the budget

B

One month-end bank balance

C

Monthly statement of financial position plus budget-to-actual trends

D

Last year's audit only

Respond in the polling tool. The answer and explanation will be discussed after responses are collected.

The Monitor's Lens: Recognize, Question, Verify

Monitoring financial statements is a distinct professional role. It is neither an audit nor a casual review — it is a structured, evidence-based process with clear boundaries.

1

Recognize

Identify patterns in the statements that may affect service delivery, compliance, or organizational continuity.

2

Question

Ask management to explain the causes, timing, and planned corrective action for anything that warrants follow-up.

3

Verify

Confirm explanations using statements, schedules, board minutes, and other documentary evidence. Schedule follow-up as needed.

Monitoring is not auditing. Do not certify GAAP compliance, perform audit procedures, or infer fraud from a single variance. Stay within the monitoring role.

FINANCIAL PACKAGE COMPONENTS

What a Useful Monthly Financial Package Contains

A complete monthly financial package gives monitors the data needed to assess position, activity, and risk. Not all agencies submit complete packages — that gap itself is information.

Statement of Financial Position

Compared with prior month or prior year-end to show direction of travel for assets, liabilities, and net assets.

Statement of Activities

Current month and year-to-date actuals, budget, and variance — broken out by program to expose where surpluses or deficits originate.

Cash Flow Forecast

A near-term cash projection — even a simple 8-to-12-week outlook — shows whether the agency can meet payroll and obligations.

AR and AP Aging

Accounts receivable and accounts payable aging schedules reveal whether amounts owed are collectible and whether vendors are being paid on time.

Grant-to-Date Reports

Reports reconciled to the general ledger and to funder submissions — essential for confirming allowable costs and award compliance.

Management Explanations

Brief written explanations for significant variances and corrective actions taken — converts raw numbers into accountable narrative.

Organizational Standard 8.7 requires boards to receive an organization-wide budget-to-actual by program and a statement of financial position at each regular meeting. Both documents are required — not optional.

Three Views — One Financial Story

Each financial statement captures a different dimension of fiscal reality. Used together, they tell the full story. Used in isolation, each can mislead.

Why cash moves differently

Revenue recognized in the Statement of Activities may not yet be cash in hand. Expenses incurred may not yet be paid. The period surplus or deficit changes net assets, but the cash balance reflects actual receipts and payments which often move on a different schedule.

What to read together

- A surplus on the activities statement paired with falling cash signals a collection or timing lag.
- Rising net assets alongside rising payables may indicate vendors are not being paid on schedule.
- Budget to actual confirms whether the surplus or deficit was anticipated or is a surprise.

STATEMENT OF FINANCIAL POSITION

Can the Agency Meet Its Obligations?

The Statement of Financial Position — often called the balance sheet — shows what the agency has, owes, and has accumulated at a single point in time. The monitoring focus is **liquidity**: how quickly assets can become cash, and when obligations must be paid.

Assets

Cash, receivables, prepaid expenses, property, and other resources the agency controls.

Liabilities

Accounts payable, accrued payroll, deferred revenue, debt, and other obligations owed to others.

Net Assets

The residual financial cushion — what remains after all liabilities are subtracted from all assets. May be restricted or unrestricted.

What monitors look for closely

- **Available operating cash** — not total assets, which may include restricted or illiquid items.
- **Receivable collectibility** — large receivable balances can mask a cash shortage if collections are slow or uncertain.
- **Payable and accrued payroll trends** — rising balances may indicate the agency is falling behind on obligations.
- **Unrestricted net assets** — the operational cushion available to absorb timing gaps or shortfalls.

⚠ Large total assets can hide low spendable cash or resources restricted for another purpose. Always isolate what is actually available for operations.

POLL 2 OF 4

What Does This Trend Suggest?

Over six months, cash falls from $520,000 to $210,000, receivables rise from $780,000 to $1.35 million, and payables rise from $540,000 to $890,000. What is the strongest initial interpretation?

📈 Trend Summary

Cash: $520K → $210K ↓

Receivables: $780K → $1.35M ↑

Payables: $540K → $890K ↑

A

The agency is growing safely

B

The agency may be experiencing reimbursement or collection delays and liquidity pressure

C

The higher receivable balance eliminates cash concerns

D

No interpretation is possible until the annual audit

Respond in the polling tool. The answer and explanation will be discussed after responses are collected.

BALANCE SHEET SIGNALS

Balance Sheet Patterns That Deserve Follow-Up

These five patterns are early warning signals not automatic findings. Each warrants a monitoring question, not a conclusion. Context, cause, and management response determine the appropriate next step.

Cash ↓ + Receivables ↑

Collection or reimbursement timing may be worsening. Ask about aging, collectability, and expected receipt dates.

Cash ↓ + Payables or Accrued Payroll ↑

Vendors or employees may be financing operations. Ask whether payroll taxes are current and vendors are being paid on schedule.

Current Liabilities Rising Faster Than Current Assets

Near term liquidity pressure may be increasing. Compare the trend month over month and ask for a short term cash forecast.

Unrestricted Operating Net Assets Declining

The agency's operational cushion is shrinking. Ask whether the decline is planned, funded, or a surprise and what management intends to do.

Debt Rising Without Stable Revenue or Cash Flow

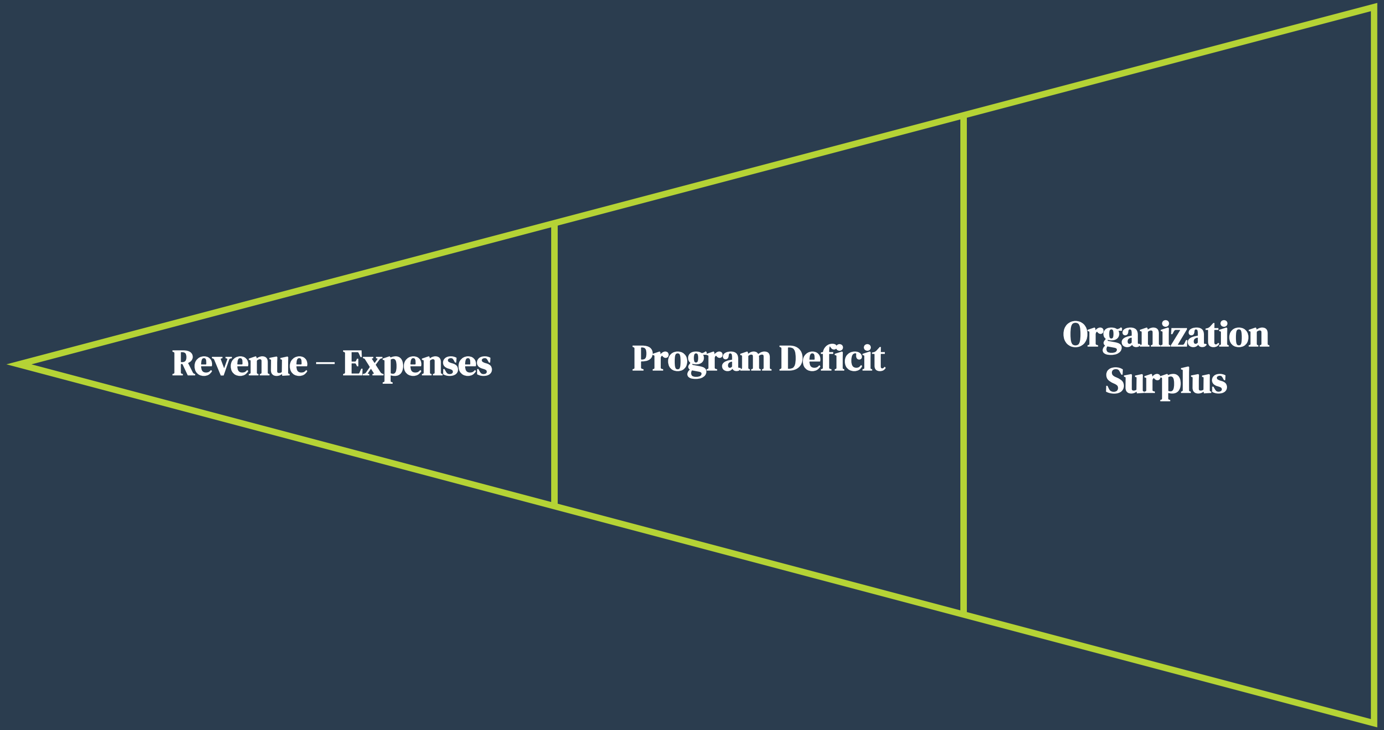
Future fixed obligations are increasing. Ask about the purpose of the debt, the repayment plan, and the impact on operating flexibility.

Use amber signals to prompt follow up questions not automatic findings. Severity, duration, cause, and governance response determine the monitoring action.

STATEMENT OF ACTIVITIES

Is the Agency Operating Within Its Means?

The Statement of Activities shows what the agency earned and spent over a period of time and whether revenue exceeded expenses. The program level view is essential: organization wide totals can hide significant problems concentrated in one or two programs.



What monitors focus on

- Which programs are generating surpluses vs. deficits?
- Are deficits in one program being offset by surpluses elsewhere?
- Is the organization wide result recurring or a one time event?

Timing vs. structural deficits

A single deficit month may reflect grant timing revenue not yet recognized even though expenses have been incurred. A recurring organization wide deficit over multiple months is more likely to signal a structural funding gap that requires management attention and a credible plan.

BUDGET TO ACTUAL

Compare Pace, Not Just Totals

The budget-to-actual report is most useful when it compares the **percentage of time elapsed** with the percentage of resources used and outcomes achieved. A favorable total variance can hide a dangerous pace mismatch.

75%

Time Elapsed

Nine months of a twelve-month year have passed. All other rates should be interpreted relative to this baseline.

84%

Revenue Earned

Revenue recognition is running behind expenses incurred — possible grant timing lag, delayed reimbursements, or slower-than-projected new awards.

96%

Expenses Incurred

Spending pace is significantly ahead of revenue recognition. Only 4% of the annual budget remains for the final quarter.

58%

Outcomes Achieved

Implementation is lagging behind both time elapsed and resource use — a critical mismatch that requires explanation and a corrective plan.

⚠ A **favorable variance** is not always good news. Underspending can signal staff vacancies, delayed services, or missed outcomes — all of which have real consequences for clients and grant compliance.

POLL 3 OF 4

Fiscal Data Meets Program Performance

A program is 75% through its year, has spent 92% of its annual budget, and has achieved 58% of its annual service target. What is the best first question?

📊 The Mismatch at a Glance

Time elapsed: 75%
Budget spent: 92%
Outcomes achieved: 58%

A

Can the remaining services be delivered within the remaining resources, and what is driving the mismatch?

B

Has the board approved next year's budget?

C

Can the agency move costs to another grant?

D

Is the program manager satisfied with the report format?

Respond in the polling tool. The answer and explanation will be discussed after responses are collected.

Fiscal Year and Grant Year Are Different Clocks

One of the most common sources of confusion in subrecipient monitoring is mixing up the organizational fiscal year with the grant period. Using the wrong period produces misleading variance percentages — a grant can appear significantly under- or overspent when the correct time frame has not been applied.

Agency FY
Jan–Dec (YTD to current month)

Grant Period
Apr–Mar (GTD to current month)

Current Month
Mark reporting date on both bars

Divergence
Where YTD and GTD reporting differ

Reconcile Both Clocks

Grant-to-date reports should reconcile to the organization-wide statements *and* to reports submitted to funders. Discrepancies between those two reconciliations are a monitoring signal on their own.

Ask About Grant Conditions

Carryforward authority, match requirements, administrative cost limits, indirect cost rates, and shared-cost allocation all affect how grant expenditures should be interpreted relative to the organization-wide statements.

LIQUIDITY FOCUS

Cash Is the Immediate Capacity to Continue Services

Cash pays payroll, vendor invoices, rent, benefits, and participant assistance. It is the most liquid and most critical resource an agency holds. Without adequate cash flow, even a financially sound agency on paper can fail to meet obligations.

Days Cash on Hand — The Formula

Available operating cash
÷ (Annual cash expenses ÷ 365)

This tells you approximately how many days the agency can continue operating without new cash inflows.

There is no single universal target. Reimbursement cycles, restrictions, seasonality, and access to advances all affect what is adequate for a given agency.

What to look for beyond the formula

- **Restricted cash** — amounts held for specific purposes may not be available for general operating needs, even if they appear on the balance sheet.
- **Trend over time** — a declining days-cash trend across consecutive months is more informative than a single point-in-time figure.
- **Short-term cash forecast** — the most actionable signal is a realistic 8-to-12-week projection that accounts for known payroll, payables, and expected reimbursements.
- **Minimum operating threshold** — ask whether management has established an internal floor and whether it is being maintained.

FISCAL HEALTH DASHBOARD

A Five-Indicator Fiscal Health Dashboard

No single metric tells the whole story. The most effective monitoring approach tracks these five indicators together, using trend and context to assign risk level — not thresholds alone.

Cash and Days Cash on Hand

Can near-term obligations — payroll, payables, rent — be paid without new inflows? Is the trend stable, improving, or declining?

Receivable Aging

Will amounts owed to the agency become cash soon? Are receivables aging beyond normal reimbursement windows, and are any amounts at risk of not being collected?

Payables, Accrued Payroll, and Tax Liabilities

Are obligations to vendors, employees, and tax authorities current? Delinquent payroll tax deposits are a high-severity signal requiring immediate escalation.

Operating Result

Are deficits recurring, concentrated in specific programs, or growing over time? Is the deficit planned and funded, or an unplanned structural gap?

Unrestricted Operating Net Assets

Is the financial cushion available for operations strengthening or shrinking? A declining cushion with no recovery plan reduces the agency's ability to absorb future shocks.

Use trends and context — not single-point snapshots — to assign risk levels. Green, amber, and red assessments should reflect direction of travel, not just current values.

CASE STUDY

River County Community Action — March 31

Nine months into the fiscal year. Review the indicators below and consider: What patterns do you see? What questions would you ask next?

Indicator	Prior / Plan	Current	What It May Signal
Cash	$520,000	$210,000	Liquidity declining sharply
Accounts Receivable	$780,000	$1,350,000	Reimbursement or collection delays
Payables + Accrued Payroll	$540,000	$890,000	Obligations accumulating
Unrestricted Operating Net Assets	$420,000	$80,000	Operating cushion nearly depleted
YTD Revenue vs. Budget	$9.0M (plan)	$7.6M (84%)	Revenue behind plan
YTD Expenses vs. Budget	$9.0M (plan)	$8.6M (96%)	Expense pace ahead of revenue
Program Outcomes	75% of year elapsed	58% of annual target	Implementation lag

⚠ **Preliminary assessment: elevated liquidity and operating risk.** The statements do not identify the cause — they identify the pattern. Monitoring questions and management evidence are required before any conclusion is reached.

MONITORING QUESTIONS

Ask Questions Before Reaching Conclusions

When the data from River County — or any subrecipient — shows multiple risk signals, the monitor's job is to ask structured questions before forming any conclusions. Organize your inquiry across four areas.

🔍 Cause

What changed, and when did the trend begin? Is the cause related to timing, service performance, allowability, cost allocation, or a structural funding gap?

💵 Cash

Which receivables are collectible, and when are they expected? Can the agency meet payroll and critical obligations for the next 8 to 12 weeks?

🏛️ Governance

What actions have management and the board taken? Has the board been informed? Are there board minutes, management memos, or corrective action plans on record?

📋 Follow-Up

What evidence will demonstrate that corrective action is working? What is the timeline, and how will the state monitor verify progress?

POLL 4 OF 4

What Is the Appropriate Monitoring Response?

A CAA has recurring deficits and six days of cash, but payroll is current, the audit is clean, and the board receives monthly reports. What is the most appropriate response?

A

Conclude that fraud has occurred

B

Take no action because the audit is clean

C

Document elevated risk, request a cash forecast and recovery plan, provide targeted T/TA, and schedule follow-up

D

Immediately withhold all CSBG funding

Respond in the polling tool. The answer and explanation will be discussed after responses are collected.

CSBG ORGANIZATIONAL STANDARDS

Organizational Standards: Evidence of Fiscal Oversight

The CSBG Organizational Standards establish specific expectations for fiscal governance. Monitoring goes beyond verifying document presence it asks whether reports are timely, complete, understood, questioned, and used to guide decisions.

1

Standard 8.7 ★

Board Financial Reporting: At each regular meeting, the board receives an organization wide budget to actual by program *and* a statement of financial position. Evidence: board minutes, report package, agenda.

2

Standard 8.9 ★

Annual Budget Approval: The board approves an annual organization wide budget. Evidence: board minutes, approved budget document with program level detail.

3

Standards 8.1 8.4

Audit Oversight: Audit completion, board assessment of findings, auditor presentation to the board, and formal board acceptance. Evidence: audit report, management letter, board minutes.

4

Standards 8.8, 8.10, 8.12

Operational Controls: Timely payroll tax filings and payments, current written fiscal policies, and documented allocation of shared costs to programs. Evidence: tax payment records, policy document, cost allocation plan.

ⓘ Always use the correct state approved monitoring tool. Public CAA required wording and evidence specifications may differ from private nonprofit CAAs. When in doubt, check with your state CSBG program lead.

ROMA INTEGRATION

ROMA: Financial Statements Are Feedback for the Management Cycle

Financial data is not a standalone compliance artifact — it is feedback within the Results Oriented Management and Accountability cycle. Each stage of ROMA has a financial dimension, and financial data should always be read alongside outcome data, never as a substitute for it.

Assess

What needs and resources exist in the community? What does the agency have the capacity to address? (Standards 4.3)

Evaluate and Adjust

What should change based on fiscal and program evidence? **Financial statements are key here.** Course corrections should be documented and board-approved.

Plan

What outcomes, strategies, staffing, and budget are required to meet community needs? (Standard 8.9)

Implement

Are resources being used as intended? Are grant funds flowing to the right activities at the right pace? **Financial statements are key here.**

Observe Results

Are services and outcomes on pace with the plan? Budget-to-actual and outcome data must be read together. (Standard 9.3)

RISK RESPONSE MODEL

From Monitoring Observation to Training and Technical Assistance

The monitoring observation drives the response — and the response must be proportionate to the severity, duration, cause, governance engagement, and credibility of the plan. No single indicator automatically proves noncompliance.

🟢 Green — Reinforce

Timely reports, stable or improving cash, explained variances, and active board oversight. **Reinforce effective practice.** Document what is working and share as a promising model for peer T/TA.

🟡 Amber — Assist and Follow Up

Declining liquidity, aging receivables, recurring variances, or weak management explanations. **Provide targeted T/TA, request documentation, and schedule follow-up.** Document the risk level and the agency's response.

🔴 Red — Escalate

Unreliable reports, late payroll tax liabilities, inability to meet obligations, unresolved audit findings, or no credible corrective response. **Escalate under state policy.** Document all steps taken and evidence gathered.

Severity, duration, cause, governance response, and evidence determine the next step — not any single metric. Apply proportionate, documented action at each stage.

The Five-Question Monthly Review

Use these five questions as a structured lens every time you review a monthly financial package. They connect liquidity, operating performance, management quality, governance, and mission accountability into a single, repeatable review discipline.

1 **Can the agency meet its near-term obligations?**

Review cash, days cash on hand, the cash forecast, and payroll tax status.

2 **Are revenue, expenses, and outcomes moving at compatible rates?**

Compare the pace of each against time elapsed and identify any significant mismatches.

3 **Are problems temporary, structural, or caused by reporting weaknesses?**

Determine whether the issue is a timing lag, a funding gap, or a failure to produce reliable financial data.

4 **Does management understand the issue and have a credible response?**

Assess whether explanations are complete, timely, documented, and supported by evidence.

5 **Are the board, Organizational Standards, and ROMA processes using the information to guide decisions?**

Confirm that financial data is reaching governance and being used not just filed.

> Read the trend. Ask the question. Verify the response. Connect money to mission.

APPENDIX A

Optional Formulas and Interpretation Notes

These formulas are educational screening tools — not automatic compliance thresholds. State policy and the specific facts of each CAA determine the monitoring response.

Days Cash on Hand

Formula: Available operating cash ÷ (Annual cash expenses excluding depreciation ÷ 365)
Interpretation: Use trend and funding context — reimbursement cycles, restrictions, and seasonality — rather than a universal benchmark. A declining trend is more meaningful than a single value.

Current Ratio

Formula: Current assets ÷ Current liabilities
Interpretation: A ratio below 1.0 means current liabilities exceed current assets. However, a higher ratio can still be misleading when receivables are old, restricted, or uncollectible. Always review aging schedules alongside the ratio.

Operating Margin

Formula: Organization-wide surplus or deficit ÷ Total revenue
Interpretation: Focus on recurring pattern, concentration by program, and whether the result is planned and funded. A negative margin in one month may be timing; a negative trend across multiple periods is more significant.

Receivable and Payable Aging

No formula — these are schedules. Aging schedules often provide more actionable monitoring evidence than total balances alone. Ask specifically about amounts over 60 and over 90 days, and about any amounts in dispute or at risk of write-off.

APPENDIX B

Primary Source References

The following primary sources support the content and standards references throughout this training. Use these resources for deeper study, state policy development, and technical assistance preparation.

→ **CSBG Organizational Standards (IM No. 138, 2015)**

U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services. The authoritative source for Standards 8.1 8.12 and all other CSBG Organizational Standards referenced in this training. Access the document →

→ **Category 8 Technical Assistance Guide**

Community Action Partnership. Financial Operations and Oversight a practical guide to implementing and evidencing the Category 8 Organizational Standards at the agency level. Access the document →

→ **Organizational Standards and ROMA Crosswalk (NASCSP, 2017)**

National Association for State Community Services Programs. Maps the Organizational Standards to ROMA outcomes and indicators, supporting integrated monitoring and technical assistance planning. Access the document →

→ **CSBG Annual Report (IM No. 152, 2017)**

U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services. Federal reporting requirements that connect agency financial and program performance data. Access the document →

→ **Beyond the Balance Sheet (NASCSP, 2026)**

National Association for State Community Services Programs. CSBG Financial Health and Monitoring training materials the companion resource to this session. Access the document →

Thank You

Reading the Story Behind the Numbers — Monthly Financial Statements and Fiscal Health for State CSBG Monitoring

Your Role

State CSBG monitors protect services and communities by reading financial data carefully, asking the right questions, and providing proportionate, documented responses.

The Core Discipline

Read the trend. Ask the question. Verify the response. Connect money to mission. Apply these five questions every month, with every subrecipient.

Questions and Follow-Up

Use the primary source references in Appendix B to deepen your knowledge. Contact your NASCSP or ACF regional liaison for state-specific policy questions.