



CENTER FOR COMMUNITY SERVICES DIRECTIVE

Title: Risk Based Monitoring Procedures
Directive #: C2020-06
Effective: January 1, 2020

To: Community Services Block Grant Subgrantees

From: Lynette Praster, Director – Center for Community Services

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1.0 Purpose

To provide guidance and an outline of the protocol of Department of Community and Economic Development (DCED) monitoring of Community Services Block Grant (CSBG) eligible entities (CEE).

2.0 Background

Up to this point in the oversight history of CSBG, DCED conducted full on-site CSBG program reviews for all CEEs once every two (2) years in accordance with the Two-Year CSBG State Plan submitted to and approved by the federal Department of Health and Human Services (HHS), Office of Community Services (OCS). Remote, or desk monitoring, was conducted for CEEs not receiving an on-site monitoring during years between full on-site monitoring. More frequent monitoring, including on-site visits either program or fiscal were scheduled as needed when operational, performance, or risk factors are identified. On October 1, 2018, DCED implemented the use of Technical Assistance Plans (TAP) or Quality Improvement Plans (QIP) to help CEEs mitigate persistent, repeated, or serious areas of concern identified by routine and targeted monitoring.

Beginning January 1, 2020, DCED will implement a risk-based monitoring process which is in the following outline, therefore, this CSBG Directive is effective January 1, 2020 and replaces C2018-06.

3.0 Policy

DCED will adhere to the federal requirement that all CEE's will have an on-site monitoring every three years and therefore, DCED will continue to conduct a combination of desk and onsite monitoring of CEE's each year. The determination of the type of monitoring each year (except in meeting the requirement of an on-site every 3 years), however will be based on the results of a Risk Assessment process conducted annually.

RISK Assessment Process

Adopting risk assessment strategies and methodologies for identifying and mitigating risk among and within CEEs, results of annual and ad-hoc monitoring will contribute to the comprehensive analysis of CEE risk factors. Both risk assessment and routine monitoring contribute toward the advancement of continuous quality improvement efforts. The frequency, intensity, and scope of CEE monitoring may vary based on risk factors.

The focus of a Risk Assessment is to ensure that CSBG funded agencies meet the following requirements: adherence to DCED's guidelines and directives, effectively manage administration of funds, carry out the scope of services and ensure proper internal controls.

DCED will conduct a CSBG Risk Assessment annually during the month of January using 26 different descriptors/criteria that fall within the categories of Management/Fiscal Operations, Program Planning/Contract Compliance, Board Compliance, Communication/Reporting and Previous Monitoring. A CSBG Risk Assessment Tool is included as Attachment A.

Each descriptor is measured and weighted, each is assigned anywhere from 0-3 points before the weighted value is applied depending on the number of deficiencies and then a risk level will be assigned to each agency at the end of the assessment. An agency annual questionnaire is utilized during this process and is included as Attachment B. Completion by each agency is required.

Meetings are held with Center management staff to discuss the annual risk assessment results of each agency to determine the frequency and method of program monitoring in the coming year according to the following:

| Risk Level | Monitoring Plan Guidelines |
|-----------------------------|---|
| High (201-300) | A report that identifies factors that contributed to the high-risk score and outlines non-compliance issues and areas that require improvement will be distributed to the agency executive director and board chairperson. The agency will be required to respond to the report with a corrective action plan within 30 days. The CSBG Program office will then provide a schedule for enhanced on-site monitoring and progress reporting. |
| Medium (101-200) | A report that identifies factors that contributed to the medium-risk score and out lines non-compliance issues and areas that require improvement will be distributed to the agency executive director and board chairperson. The agency will be required to respond to the report with a corrective action plan within 30 days. The CSBG Program office will then provide a schedule for desk monitoring and progress reporting. |
| Low (1-100) | A report that identifies factors that contributed to the low-risk score and out lines minor non-compliance issues and areas that could be improved will be distributed to the agency executive director and board chairperson. Program specialists will continue to monitor the agency through report submissions, invoicing, and communications. A desk review may be scheduled. |

Depending on the specific areas of non-compliance, agencies in any of the three levels may be monitored differently than indicated in the chart. All agencies will be monitored on site at least once every three years regardless of risk level.

At any time throughout the year, new findings can be applied which could raise risk levels, as appropriate. Assessing the risk of the agencies' performance on an ongoing basis promotes better planning and the ability to provide focused guidance and assistance.

Annual Program Monitoring

According to federal regulation, DCED is responsible for monitoring the CEEs at least once during every three (3) year period to assure compliance with OCS requirements and the federal CSBG Act. With the addition of the annual Risk Assessment process, agencies will be either desk or onsite-monitored during the other two years outside of the federal requirement. Both the risk assessment and the monitoring processes provide DCED with indicators of the effectiveness of CEE operations and tripartite board involvement, validation of reporting and outcomes, and validation of CEE compliance with the objectives of the mandated CSBG Organizational Standards.

Both desk and on-site monitoring is conducted to include, but is not limited to, the following purposes:

- Ensure programmatic and contractual compliance through the review of agency records and interviews with agency personnel, board members, and clients;
- Follow-up on program and personnel areas of concern and complaints;
- Comply with agency requests on-site visits;
- Identify, evaluate, and discuss technical assistance needs; and
- Evaluate organizational risk factors as part of DCED's obligation to conduct risk assessments of CEEs

Immediately following either a desk review or an on-site visit, an exit conference is conducted with CEE executive and program staff to review the preliminary results. CEEs should begin acting to remedy findings and recommendations identified during the review and discussed during the exit conference.

The finalized formal report will be issued to the CEE and tripartite board chairperson within thirty (30) days of the completion of monitoring activities. The report identifies strengths and weaknesses of the program and any required remedial actions. Remedial actions may include a corrective action plan, TAP, or QIP depending on the results of monitoring.

Corrective Actions

The exit conference, and subsequently the formal monitoring report, identifies two categories of results that require the CEE to act. Findings are formal areas of concern that require corrective actions. Recommendations are suggestions for operational or administrative processes that might help the CEE or its tripartite board function more efficiently or effectively.

A finding requires a formal response from the CEE that outlines specific action steps, timelines, and other activities the agency or its board will undertake to remedy the area of deficiency or non-compliance. Responses to findings should consider Results Oriented Management and Accountability (ROMA) principles and incorporate specific, measurable, attainable, realistic, and time-bound action

steps.

A recommendation requires a formal response from the CEE that outlines whether the agency or its board will adopt the suggestion, and any associated details or timelines related to implementation. While quality improvements that can arise from implementing recommendations are strongly encouraged, the CEE or its board is not obligated to adopt recommendations. If the CEE or its board does not adopt or implement recommendations formalized in the monitoring report, the formal monitoring response should include details about why the recommendation was not or will not be implemented.

Upon receipt of the formal monitoring response, DCED evaluates proposed corrective actions and implementation of recommendations to ensure the CEE's response and action steps sufficiently address the noted findings and recommendations. DCED may require a revised response from the CEE if the proposed corrective actions do not adequately resolve any findings, and in circumstances where the rationale for declining to implement recommendations might necessitate further consideration. DCED issues formal correspondence to the CEE and its tripartite board chairperson to accept or reject corrective actions, and to request revisions to the action steps.

Formal responses to monitoring that sufficiently address findings and recommendations, and that are likely to remedy the areas of concern, will be formally accepted and the CEE will receive correspondence that closes the monitoring. In circumstances where revisions are required, or further actions are necessary, the formal correspondence will identify the monitoring as remaining open until the action steps sufficiently remedy the areas of concern.

Technical Assistance Plans

In accordance with guidance issued by OCS in 2015 to coincide with CSBG Organizational Standards, DCED must monitor and report CEE compliance with standards at least annually via the CSBG Annual Report. In cases where a CEE may be able to meet the standard in a reasonable timeframe contingent on targeted technical assistance, the department may require the CEE to develop a Technical Assistance Plan (TAP) to target training and technical assistance resources and outline the timeframe for the CEE to meet the CSBG Organizational Standards. In situations where a CEE is not in compliance with Organizational Standards and DCED must implement a TAP with the non-compliant CEE, the TAP is a formalization of the process required to ensure corrective action and compliance with standards.

The TAP, in accordance with the CSBG Organizational Standards Center for Excellence (OSCOE), utilizes a standardized template to document specific and measurable progress toward CEE compliance with standards including:

- Documenting the need for technical assistance to meet CSBG Organizational Standards,
- Documenting the progress made toward meeting standards in anticipation of the next full on-site monitoring visit,
- Identification of responsibility for completion, and
- Identification of the timeframe for completion of specific action steps.

DCED may determine a TAP is appropriate and will prepare and submit a report to OCS that describes the training and technical assistance offered. However, if DCED determines training and technical assistance is not appropriate given the circumstance, DCED will prepare and submit a report to OCS that provides the rationale for its determination. For example, training and technical assistance and thus a TAP may not be appropriate when:

- The CEE has sufficient internal expertise and skill,
- DCED already provided documented training and technical assistance and the CEE failed to institute corrective actions,
- Multiple, widespread, or repeated deficiencies have been identified and remain uncorrected, or
- Fraud of criminal wrongdoing is involved.

Quality Improvement Plans

When routine corrective actions and TAPs fail to remedy areas of concern, particularly related to serious administrative or operational issues and including persistent non-compliance with CSBG Organizational Standards, section 678C of the federal CSBG Act authorizes DCED to initiate a Quality Improvement Plan (QIP) that incorporates specific timelines and benchmarks. The failure of a CEE and its tripartite board to meet multiple standards may reflect deeper organizational challenges and risks. DCED will initiate a QIP when is necessary to avoid a reduction or termination of funding, and to structurally align the CEE with CSBG administrative, operational, and programmatic requirements including implementation and compliance with CSBG Organizational Standards.

It is the discretion of DCED to provide a CEE with an opportunity to develop and implement a QIP to correct deficiencies. DCED accounts for the seriousness of areas of concern and deficiencies, along with the anticipated timeframe to implement corrections. If a QIP is warranted, DCED will request a QIP from the identified CEE and allow 60 days for the CEE to develop and implement the QIP. DCED will approve or disapprove the QIPs within 30 days of receipt of the plan. CEEs engaging in a QIP must be prepared to implement the QIP as soon as it is submitted to DCED for approval.

A QIP may be inappropriate and thus disapproved when:

- The CEE is already engaged in a QIP and has repeated findings, or
- Fraud or criminal wrongdoing is involved

The CEE may challenge DCED's decision not to approve a QIP by formally outlining the reasons an opportunity to submit a QIP should be granted, and by simultaneously submitting formal notification to OCS.

Persistent or Serious Findings

When a CEE persistently fails to correct areas of concern, deficiencies, or findings, or when findings rise to the level of fraud or criminal wrongdoing, DCED will take actions warranted by the federal CSBG Act and in consultation with OCS to reduce or terminate CSBG funding. DCED will provide notice of the uncorrected deficiency and an opportunity for a hearing to determine if cause exists to reduce or terminate funding. Based on the hearing record, if DCED determines cause exists to reduce or terminate funding, DCED will initiate proceedings to de-designate the CEE or reduce the CSBG allocation to the CEE. Since a CEE's CSBG funding may not be reduced below the statutorily required base-level in Pennsylvania, a CEE already receiving only base-level funding may be de-designated as a recipient of CSBG funds.

Fiscal Monitoring

CEEs are also subject to fiscal monitoring conducted by the Department's Financial Management Center

(FMC). When CEEs are fiscally evaluated, the following areas are tested using checklists, observations, interviews, and management representations to meet the objectives of the fiscal review:

- Internal Controls
- Separation of Duties
- Expenditure Reporting and Testing
- Cash Management
- Payroll
- Limited Procurement

Attachment E provides instructions and includes a series of questions for each of the areas listed above. Upon completion of testing, the CEE can identify both the fiscal strengths and weaknesses of the organization.

4.0 Effective Date

This directive takes effect January 1, 2020 and replaces C2018-06. It will remain in effect, in its entirety, until it is amended, replaced, superseded, or nullified. Only a directive from the Department's Center for Community Services or its equivalent may countermand any statement herein contained.

5.0 Attachments

Attachment A - Risk Assessment Tool

Attachment B – Agency Questionnaire

Attachment C - On-site Monitoring Review Guide and Tool

Attachment C-1 - Client File Worksheet

Attachment C-2 - Board Meeting Attendance Report

Attachment D - Desk Monitoring Tool

Attachment E - Fiscal Monitoring Checklists

Attachment F - Sample Client, Staff, and Board Interview Questions

cc: Center for Community Services Staff
Financial Management Center Staff