Community Action Programs and Services
Monitoring Information Memorandum

DATE: June 28, 2024

TO: DCAD Community Action Programs and Services Contractors

SUBJECT: CAPS Compliance Monitoring Process Overview and Trends

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Background: The CSBG Act of 1998, as well as LIHEAP Statutes, require that CSBG-eligible entities and LIHEAP recipients be monitored on-site at least once every three years by DCAD. DCAD uses a hybrid monitoring process that will take place over two weeks and includes an on-site visit. Each year, the Division of Community Assistance and Development (DCAD) Community Action Programs and Services (CAPS) conducts compliance monitoring of a sample of subgrantee programs. This includes both on-site and remote monitoring processes. Following the monitoring, a report of any findings is sent to the subgrantee. Subgrantees may accept the findings and provide a corrective action plan or respond in writing to any findings they believe are erroneous.

Purpose: This information memorandum explains the compliance monitoring process and provides examples of common findings from previous monitoring. DCAD CAPS has committed to providing the most comprehensive information regarding the monitoring process to promote increased transparency and ensure agencies can better prepare for monitoring engagements. To that end, DCAD CAPS has developed this memorandum to provide a broad overview of the selection of subgrantees, the monitoring process, the monitoring questions protocol, and the noted trends.

DCAD CAPS Compliance Monitoring

The goal of compliance monitoring is not only to ensure that programs are operating in accordance with federal statutes but also to provide an opportunity to assist in areas in need of improvement. Additional goals include:

- Understanding how federal and state requirements are being implemented
- Analyzing subgrantee's programmatic and fiscal policies and procedures
- Monitoring subgrantee recipient practices, sample case files, and financial transactions
- Gathering information on noteworthy practices and strategies
- Providing training and technical assistance when needed

Monitoring Practices

During monitoring, state office staff assess the following:

- The overall health of an agency
- The effectiveness of the board of directors (CSBG only)
- The CSBG project funding (CSBG only, as applicable)
- The accuracy of application intake and applicant funding assistance
- Administrative and leadership capacity of agency management
- The strength of the agency, the Network, and other contractors
- Performance Management Framework to include Organizational Standards and ROMA (CSBG only).

Grant Recipient Selection

DCAD CAPS uses a criteria-based process to select subgrantees each year for compliance monitoring. This approach allows DCAD CAPS to assess and prioritize subgrantee data and information to determine who would benefit most from compliance monitoring. DCAD CAPS utilizes several data sources to select subgrantees, risk assessments, and annual independent single audit reports. Using these data sources, DCAD CAPS subgrantees are prioritized based on different measures, which include the number and severity of audit findings and the results from previous compliance monitoring. DCAD CAPS also prioritizes agencies that have not participated in compliance monitoring in the previous 3 years.

Compliance Monitoring Process

The monitoring process includes three broad phases: pre-monitoring, monitoring, and post-monitoring. The three monitoring phases are further explained below:

Pre-Monitoring

These are the actions that must take place prior to the commencement of the actual monitoring engagement. During this phase, agencies provide pre-selected documents for DCAD to review and prepare for monitoring. The list will include Contract Compliance Review (CCR) document requests and case file requests. DCAD will also schedule on-site visits, interviews and observations.

4-6 weeks prior to the monitoring engagement, the DCAD Contracts Specialist will email a request for agency information:
- A selected group of case files for CSBG, LIHEAP, STCS, and NHN (as applicable)
- Completion of provided Contract Compliance Review (CCR) documents related to Administration, Fiscal, and Programs

Monitoring Engagement

The monitoring engagement begins with an *entrance interview* to include all state and agency staff who will participate in the monitoring process. During the entrance interview, the following items will be discussed:

- The monitoring process and timeline
- Agency successes and challenges of the previous years
- Meeting and appointment schedules for the monitoring period
- The agency will have an opportunity to ask questions

This phase consists of the onsite or remote compliance monitoring event. This phase includes the utilization of a monitoring protocol and questionnaire. The questionnaire is used to interview agency staff and conduct observation of activities. These questionnaires are used to guide the discussion and cover most areas of program and fiscal operations.

The general areas of the protocol include reviewing the following areas of compliance with the federal statutes, applicable state and federal regulations, and the agency's policies and procedures, as they apply to each agency:

- Program components – This depends on the program components that the agency offers.
- Eligibility determining factors – Income guidelines and factors used for varying benefits
- Response to Crises
- Outreach and coordination with other low-income programs
- Program monitoring – Reviews how the agency monitors its internal operations and its subcontractors (if applicable).
- Fair hearing rights – Reviews the fair hearing process and the methods of client notification.
- Assurance 16 implementation process (if applicable).
- Leveraging funds
- Staff training
- Performance and Accountability measures (Reporting, ROMA, Org Standards, etc.)
- Program integrity – Applicant identification and eligible and ineligible households.
- Fiscal control and grants management

During the monitoring engagement, additional meetings will be scheduled as needed to review the following areas:

- Personnel Review with Human Resource Staff (conducted by DCAD Contracts Specialist)
  - Five random employee files are selected. These employees should have worked under this contract during the monitoring period. A series of questions will be asked while reviewing the files based on contract requirements.
- Billing Review with Fiscal Staff (conducted by DCAD Contracts Specialist)
  - Review of invoice and fiscal documentation submitted for billing. At least one invoice is selected to obtain samples from all funding lines
- Board Member Interviews (conducted by DCAD CSBG and Monitoring Coordinator)
  - For CSBG only - Interviews are conducted with at least one low-income representative and one from either the private sector or an elected official/representative. A board member interview guide is used. Board members can be recommended by the agency or selected by DCAD
- CSBG Program Interview with agency management staff (conducted by DCAD CSBG Coordinator)
  - The CSBG Program interview guide is used
- LIHEAP Program Interview with agency management staff (conducted by DCAD LIHEAP Coordinator)
  - The LIHEAP Program interview guide is used

The monitoring engagement ends with an exit interview. During the exit interview, the following items will be discussed:

- Any outstanding questions related to interviews, case files, etc.
- Review of the Report of Findings (ROF) process and timelines
- The agency will have an opportunity to ask questions

Post-Monitoring

During this phase, DCAD compiles all observations made during pre-monitoring and the monitoring engagement and identifies any findings, recommendations, and noteworthy practices.

Upon completion of the monitoring, DCAD drafts an initial monitoring report. The initial monitoring report is issued to the agency within 30 calendar days of completing the monitoring engagement and will list Findings and Recommendations for the agency. The agency has 30 calendar days from the issuance of the initial report to respond. DCAD will request the agency provide a plan to address deficiencies as well as a narrative for implementing recommendations.

Findings identify contract deficiencies that must be corrected. Instruction are provided to the agency by DCAD on overall actions needed to resolve each finding. A Corrective Improvement Plan (CIP) must be provided for each Finding and a template will be provided. A CIP must detail logical steps the agency will take to correct the finding expeditiously. The CIP will be reviewed and approved by DCAD staff and monitored to ensure the agency's compliance. Failure to submit or implement a CIP may result in further negative actions up to and including an official Demand for Assurance, possible reduction/redistribution of funding, and potential contract termination.

Recommendations identify areas in which DCAD strongly encourages an improvement to the agency's operations as soon as possible. The agency must develop and submit a narrative response for each recommendation and identify a methodology for implementation. If the agency chooses not to implement a recommendation, the narrative must provide a valid justification to be reviewed and approved by DCAD.

If the agency does not concur with the findings, the agency has an opportunity to provide written evidence refuting the compliance concern. DCAD reviews each agency's response and issues a final monitoring report within 30 calendar days of receipt of corrective plans and narratives. The final monitoring report serves as DCAD's final determination of the status of each finding.

The agency may request an additional meeting with DCAD to review and discuss findings or recommendations.

SFY25 Monitoring Schedule

In SFY25, DCAD will conduct on-site monitoring of five agencies:

Anticipated Month	Agency	Type
September 2024	Gila County Community Services	On-Site
November 2024	City of Phoenix Human Services	On-Site
February 2025	City of Glendale	On-Site
April 2025	Wildfire, Inc	On-Site
June 2025	NACOG	On-Site

SFY24 Trends

In SFY24, DCAD conducted compliance monitoring of six agencies. Periodically, the results of compliance monitoring reveal patterns of noteworthy practices and non-compliance among agencies. The general topic areas below describe instances of noteworthy practices and non-compliance that were included in multiple monitoring reports in SFY24:

Noteworthy Practices

DCAD identified certain agency practices to be highlighted in the monitoring report as noteworthy practices. These include innovations that provide a better overall customer service experience for the clients, increase productivity and efficiency for agency staff, or ensure that a greater number of households are served.

- Assurance 16 – Innovative energy burden reduction activities through Assurance 16 allocation
- Application or intake process – Timely intake, efficient processes of applications, innovative uses of hotlines and intake software
- Case file management – Consistently comprehensive case files
- Use of Self-Sufficiency Matrix - Case files include case management materials and matrixes that track the progress of the household
- Outreach and coordination – Robust and innovative outreach activities and coordinated services with similar programs, especially in rural, underserved areas
- Reporting – Accurate and timely submission of required federal reports

Areas of Non-compliance

- Assurance 16 – Activities were incorrectly classified under Assurance 16 provisions, the agency did not consistently use staff time allocated for A16 for those activities.
- Application and intake process – The Agency has intake processes that delay application processing and transfer of applications to DCAD.
- Income termination verification – There were instances of inadequate income termination documentation in reviewed case files.
- Notification of benefits – Eligible households did not receive formal notification of assistance or denial of their application for assistance.
- Case file management – Inconsistent files, insufficient file storage, and missing documentation and files
- Reporting – Incorrect reports or delayed submission of required federal reports

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Conclusion

Compliance monitoring is an opportunity for DCAD to learn about the various programs across the state and gain a better understanding of how they function and operate. DCAD is always looking for ways to strengthen the network. It is also an opportunity for agencies to share and learn. We encourage agencies to fully engage with the monitoring process.

Please contact the DCAD CAPS with any questions. Thank you for your attention to these matters. DCAD CAPS looks forward to continuing to provide high-quality services to our partners.