



Community Action Programs and Services Monitoring Information Memorandum

DATE: July 02, 2025

TO: CCSD Community Action Programs and Services Contractors

SUBJECT: CAPS Compliance Monitoring Process Overview and Trends

Background: The Community Services Block Grant (CSBG) Act of 1998, as well as LIHEAP Statutes, require that CSBG-eligible entities and Low Income Home Energy Assistance Program (LIHEAP) recipients be monitored on-site at least once every three years by the Child and Community Services Division (CCSD). CCSD uses a hybrid monitoring process that will take place over two weeks and includes an on-site visit. Each year, the CCSD Community Action Programs and Services (CAPS) team conducts compliance monitoring of a sample of subgrantee programs as well as a review of contract and fiscal compliance. This review 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. CCSD 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, CCSD 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.

CCSD 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

CCSD CAPS uses a criteria-based process to select subgrantees each year for compliance monitoring. This approach allows CCSD CAPS to assess and prioritize subgrantee data and information to determine who would benefit most from compliance monitoring. CCSD CAPS utilizes several data sources to select subgrantees, risk assessments, and annual independent single audit reports. Using these data sources, CCSD CAPS subgrantees are prioritized based on different measures, which include the number and severity of audit findings and the results from previous compliance monitoring. CCSD 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 CCSD to review and prepare for monitoring. The list will include Contract Compliance Review (CCR) document requests and case file requests. CCSD will also schedule on-site visits, interviews, and observations.

4-6 weeks prior to the monitoring engagement, the CCSD Contracts Specialist will email a request for agency information:



- A selected group of case files for CSBG, Short Term Crisis Services (STCS), and Neighbors Helping Neighbors (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 and 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 CCSD 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 CCSD 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 CCSD 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 CCSD
- CSBG Program Interview with agency management staff (conducted by CCSD CSBG Coordinator)
 - The CSBG Program interview guide is used
- LIHEAP Program Interview with agency management staff (conducted by CCSD 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, CCSD compiles all observations made during pre-monitoring and the monitoring engagement and identifies any findings, recommendations, and noteworthy practices.

Upon completion of the monitoring, CCSD 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. CCSD 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. Instructions are provided to the agency by CCSD 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 CCSD 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 CCSD 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 CCSD.

If the agency does not concur with the findings, the agency has an opportunity to provide written evidence refuting the compliance concern. CCSD 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 CCSD’s final determination of the status of each finding.

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

SFY26 Monitoring Schedule

In SFY26, CCSD will conduct on-site monitoring of five agencies:

| Anticipated Month | Agency | Type |
|-------------------|---|---------|
| August 2025 | Wildfire, Inc. | On-Site |
| October 2025 | Southeastern Arizona Comm Action Program | On-Site |
| January 2026 | Maricopa County Human Services Department | On-Site |
| March 2026 | Western Arizona Council of Governments | On-Site |
| May 2026 | Coconino County Community Services | On-Site |



SFY25 Trends

In SFY25, CCSD conducted compliance monitoring of four 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 SFY25:

Noteworthy Practices Updated for FY25

CCSD 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.

- Application or intake process – Timely intake, efficient processes of applications, innovative uses of hotlines and intake software
- Case File Management – Consistently comprehensive case files
- Case File Cover Sheet – Clear and easy to identify review items
- Case Management programming- a voluntary, incentivised 90 day minimum assessment, goal setting and success planning that involves barriers assessment, expedited workforce assessments and support for any other barriers that are identified in a client-centered approach.
- Use of Self-Sufficiency Matrix - Case files include case management materials and matrices 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

Non-compliance

- Benefit provided to ineligible household - Income calculation incorrect
- Insufficient Verification of Relationship for TANF Households
- Excessive Length of Board Seat Vacancies
- Outdated Benefit Matrix in Use for Neighbors Helping Neighbors
- Benefit Matrix Missing from NHN Files
- Increase Advisory Boards' participation in Annual Planning
- Insufficient verification of applicants' full 30-day income
- Insufficient documentation to show crisis for rental assistance eligibility



Conclusion

Compliance monitoring is an opportunity for CCSD to learn about the various programs across the state and gain a better understanding of how they function and operate. CCSD 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 CCSD CAPS with any questions. Thank you for your attention to these matters. CCSD CAPS looks forward to continuing to provide high-quality services to our partners.