



COE DEVELOPED CSBG  
ORGANIZATIONAL STANDARDS

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# Category 8 Financial Operations & Oversight *for Public CAAs*

Community Action Partnership  
1020 19th Street N.W., Suite 700  
Washington, DC 20036  
202.265.7546 | FAX 202.265.5048  
[WWW.COMMUNITYACTIONPARTNERSHIP.COM](http://WWW.COMMUNITYACTIONPARTNERSHIP.COM)

## Introduction

The purpose of this technical assistance guide is to help a Community Action Agency (referred to as a department to distinguish from nonprofit agencies) assess its compliance with Category Eight of the Organizational Standards (8.1-8.13) that pertain to financial operations and oversight.

This category focuses on the financial management of the department in a prudent manner. Sound financial management of a department is required to appropriately steward the use of public resources. CAAs use public funds to carry out a public mission. How those funds are used impacts the public's willingness to continue to support these entities through further public support. Stewardship of resources is part of the implied contract that a department has with the public. In short, the wise use of financial resources today helps sustain financial resources into the future.

It should be noted that departments and their non-profit counterparts are not profit oriented businesses, but this does not mean a financial bottom line is not important to both types of CAAs. If a department is unable to balance the resources it has available with the expenditures that it incurs, it will cease to exist in short order. Rather, for departments and nonprofit agencies alike, we frequently refer to the “double bottom line.” This means the department must consider the financial bottom line as it delivers its mission bottom line. Unlike a typical for-profit business, the output or deliverables for a CAA is the quantity and quality of the mission it delivers. The amount of mission that can be accomplished is limited by the financial resources available to produce that mission. The typical need in a community for the services delivered by a department almost always outstrips the resources and capacity it has to provide those services. Prudent financial management is all about maximizing the delivery of services to meet mission through the best possible use of available financial resources.

Another important factor in this equation is the role of the department's tripartite board/advisory body. Boards play a significant role in monitoring the finances and financial management of the department, a fact that is reflected in many of the Standards in Category Eight. Stewardship by both the tripartite board/advisory body and department is validated by having standards of accountability in place and following them. In the case of accountability for CAAs, this means having accountability at both the department and board level to ensure that the organization is complying with the Organizational Standards, legal requirements, and sound management practices. One thing to note here is that public CAAs are typically embedded in larger parent agencies that provide additional financial oversight. For this reason, six of the 13 Organizational Standards required for nonprofits are not applicable. Despite this difference, the tripartite board/advisory body still plays a critical role in providing input to how the department deploys its financial resources.

This difference also has an impact on the Standards 8.10-8.13 that apply to different types of policies and procedures. Because of the differences between public and nonprofit CAAs, Standards 8.10-8.12 are not applicable to departments and 8.13 simply requires adherence with local government policies. This is because the policies and procedures required of nonprofit agencies are outside the purview of departments.

The audit process, which is covered by Standards 8.1-8.5, is more similar for the two types of agencies (although 8.5 is not applicable to departments). The audit process is the means by which nonprofit agencies and departments alike proves to their board and to outside interested parties, be

they funders or the general public, that policies and procedures are in fact being followed. An audit is an assessment by an independent organization (a Certified Public Accounting firm) that the department has followed local government policies and procedures on a consistent basis and is in compliance with the laws and regulations required of departments handling Federal and state grant funds. The Organizational Standards that deal with the audit are:

- **Standard 8.1:** The department's annual audit is completed through the local governmental process in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. This may be included in the municipal entity's full audit.
- **Standard 8.2:** The department follows local government procedures in addressing any audit findings related to CSBG funding.
- **Standard 8.3:** The department's tripartite board/advisory body is notified of the availability of the local government audit.
- **Standard 8.4:** The department's tripartite board/advisory body is notified of any findings related to CSBG funding.
- **Standard 8.5:** Not applicable: The audit bid process is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.

Standards 8.7 and 8.9 cover the role of the tripartite board/advisory body in oversight of the department's budget. Unlike nonprofit agencies, where the board has formal authority over budget decisions, in most instances the budgets of departments are determined largely by their parent agency and other local government representatives. However, the department's tripartite board/advisory body still has an important role to play. It is important for the board to have an understanding of the department's overall financial position, its available financial resources, and how its leadership is managing the budget. In addition, the tripartite board/advisory body can provide valuable input to the parent agency and local government about the department's funding and overall support for anti-poverty programs and services. The Organizational Standards relating to this important oversight role are:

- **Standard 8.9:** The tripartite board/advisory body has input as allowed by local governmental procedure into the CSBG budget process.
- **Standard 8.7:** The tripartite board/advisory body receives financial reports at each regular meeting, for those program(s) the body advises, as allowed by local government procedure.

Finally, Standards 8.6 and 8.8 are not applicable to departments and are therefore not required for compliance with this category. Before delving into each of the Standards, key concepts related to the assessment process for evaluating a department's adherence to these elements will be pursued. Accordingly, the next three sections address each of the Organizational Standards in this category and provide resources to help an agency:

- Understand the intent and definition of the Standard;
- Identify materials to document compliance with the Standard;
- Benchmark and evaluate performance with regards to the Standard; and
- Access supports to help with compliance and improve performance.

## Considerations for the Assessment Process

This section of the Technical Assistance Guide provides questions to help departments think through the planning of the assessment process. Questions to consider before the assessment process begins include:

- **Who should be involved in the assessment process?** The financial management and operations of a department are technical in nature and may require a team of individuals with specific skill sets to ascertain compliance with these standards. The review team for these standards should certainly include the finance team, or representatives, and potentially a member of the tripartite board/advisory body.
- **Is the assessment process for Category Eight connected to the overall process for assessing the Organizational Standards?** All of Organizational Standards overlap to a certain degree. Perhaps Category Eight is one of the categories that stands more on its own than some of the others. Financial operations can be more technical and specialized than some of the other areas leading to a category that is more unique. For this reason, it is important for members of the review team responsible for this Standard to coordinate their efforts with staff working on other categories to ensure a shared understanding of the assessment process and consistency in documentation and record keeping.
- **What are there opportunities to incorporate the assessment process into related activities?** The department should look for opportunities such as the audit process or significant budget review event to “fold in” assessment activities. Combining the documentation of Standards in Category Eight increases efficiency and provides an additional level of oversight for the process.
- **How much effort will be required in the assessment process?** The department should consider at the start of the process to what extent it will use the resources to go “beyond compliance” included in this Guide. If the department has had findings on a previous audit or experienced issues with its finances or financial management, the a fuller consideration of the resources, diagnostic questions, and suggested practices included in the Guide may help it respond to such challenges.

When the team is assembled and ready to begin the assessment process, there may be additional questions to consider, including:

- **How will the team assess whether the standards are met?** The team should gather an understanding of the most recent financial operations requirements by reviewing the budget for the current period. Also, the team should be aware of the most recent Federal and state requirements by reviewing the official guidance provided to all grant recipients from the Federal websites and consultation with state staff. Finally, consulting with the department’s auditor will provide an overview of the most recent audit standards for reporting.
- **How will the staff document compliance with the standards?** Staff should determine how they will record the results of the assessment and organize related files and materials to document compliance. The *Assessment Worksheet Template* included at the end of this Guide offers one option. One additional option is to maintain a file (paper or electronic) with all of the documents required by this section. Creating a portfolio of required forms and reports can be used to easily verify compliance with this section.

- **How will staff manage recommendations that result from the assessment process?** If the team determines that any of the required forms or reports mandated by government entities have not been prepared or filed, immediate action should be taken to notify top management and to ensure that the appropriate action is taken. If forms, statements or reports required by the standards are not present, the omission should be noted, best practices researched and a plan prepared to address the problem.
- **How will staff archive results from the assessment process?** When the assessment of the Standards is complete, staff should archive the results with those of the other categories. A good archive will include notes on how the assessment was conducted, who participated, any issues or “lessons learned” that are helpful to note for future assessments, and clear instructions for how to find all documents and materials referenced in the findings. As previously mentioned, it may be beneficial to create a portfolio of reports and schedules. As other departments are trying to meet the Standards, a review of “best practices” by others may reveal example formats of reports or schedules that would be helpful to reference. After obtaining the appropriate permission from the originator of the format, it may be advisable to add these templates to the portfolio as well for future assessments.

## Category 8 Standards

- Standard 8.1** The department's annual audit is completed through the local governmental process in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. This may be included in the municipal entity's full audit.
- Standard 8.2** The department follows local government procedures in addressing any audit findings related to CSBG funding.
- Standard 8.3** The department's tripartite board/advisory body is notified of the availability of the local government audit.
- Standard 8.4** The department's tripartite board/advisory body is notified of any findings related to CSBG funding.
- Standard 8.5** Not applicable: The audit bid process is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.
- Standard 8.6** Not applicable: The Federal tax reporting process for local governments is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.
- Standard 8.7** The tripartite board/advisory body receives financial reports at each regular meeting, for those program(s) the body advises, as allowed by local government procedure.
- Standard 8.8** Not applicable: The payroll withholding process for local governments is outside of the purview of the department, therefore this standard does not apply to public entities.
- Standard 8.9** The tripartite board/advisory body has input as allowed by local governmental procedure into the CSBG budget process.
- Standard 8.10** Not applicable: The fiscal policies for local governments are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.
- Standard 8.11** Not applicable: Local governmental procurement policies are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.
- Standard 8.12** Not applicable: A written cost allocation plan is outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.

**Standard 8.13** The department follows local governmental policies for document retention and destruction.

**8.1 The department's annual audit is completed through the local governmental process in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. This may be included in the municipal entity's full audit.**

**A. Guidance on the Definition and Intent of the Standard**

An audit is the professional opinion of a certified public accountant (CPA) that the financial statements of an organization are fairly presented in accordance with generally accepted accounting principles. First, an audit is an opinion, it is not a fact. An audit is not a guarantee. The auditor's opinion is based on a review of a sample of transactions during the year and extrapolates that sample to make an assessment on all the transactions conducted by an agency in the whole year. It is not possible for an auditor to review each and every transaction entered into over a year's time without having an audit fee that would be unrealistic.

The opinion is rendered by a CPA, or in some states a public accountant. CPAs are licensed by the state and is an official designation. A person without a license as a CPA cannot issue an audit opinion. The auditor provides an opinion that the statements are fairly presented, not that the statements are perfectly correct. A key term that is used in audits is "materiality." This means that there is some latitude in terms of what is fair. A number does not have to be exact to be fairly presented. The key is whether the user would make different conclusions about the financial condition of the organization.

Finally, generally accepted accounting principles (GAAP) is the framework that governs the accounting rules used in the audit. GAAP is a defined set of rules created to make financial statements comparable between entities and amongst the accounting profession. This standardization eliminates inconsistencies amongst CPAs. It is the means to make financial information as comparable as possible.

An audit is a recognized way to ensure accuracy in the financial reporting process. Audits are used in the private sector to enhance accountability. Audits are a trusted and reliable means to enhance this accountability for non-profit organizations and public agencies as well. Accordingly, *The Uniform Guidance* in paragraph 200.501 requires "A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part."

For departments, compliance with Standard 8.1 simply entails completing the audit through the regular local government process, most likely conducted as part of their parent agency's overall audit process.



## B. Guidance on Compliance and Documentation

The review team should always begin the process of documenting compliance with the Organizational Standards by reviewing all available guidance from the State CSBG Office on the interpretation of the Standard and required documentation. Specific issues the review team should consider that may affect compliance with Standard 8.1 include:

- **The parent agency's audit has not been conducted at the time of assessment.** Since the department does not have direct control over when an audit is conducted, they should apprise the State CSBG Lead Agency of the monitoring schedule and provide documentation of compliance with the Standard as soon as it is complete.

There are two types of documentation required to show that a department is in compliance with Standard 8.1. This includes (1) documentation that confirms the local government audit process is complete, and (2) documentation that confirms the department's participation in that process is complete. Documentation for the first might include:

- A physical copy of the audit report and related information, or
- An electronic copy of the audit report and related information.

Documentation for the second might include:

- Certification by the parent agency that the department's participation in the audit process is complete.

## C. Beyond Compliance: Benchmarking Organizational Performance

It is strongly suggested that the review team use the questions and resources in this section to conduct an evaluation of the audit report. Such options might include:

- **What type of opinion on the financial statements was received?** There are multiple possible opinions that the auditor may provide. The most desirable opinion is an unmodified opinion. This presents the auditor's opinion that the financial statements are fairly presented in accordance with generally accepted auditing standards. If the opinion is other than unmodified, follow-up by the review team should include an assessment of management's action plan to correct any deficiencies.
- **Were there any findings noted in internal control and compliance reports?** If either of the other two major opinions in the audit indicated an instance of non-compliance or an internal control weakness, management's plan to address the situation should be reviewed.

## D. Resources

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards  
<http://www.ecfr.gov/cgi-bin/text-idx?SID=0d9415f781ec5b75b44308ee5b21b67e&mc=true&tpl=/ecfrbrowse/Title02/2chapterII.tpl>

Audit Essentials: What Every Board Member Needs to Know. Community Action Partnership.  
[https://www.dropbox.com/s/egpkggbzi8fb7ei/Audit%20Essentials What%20Every%20Board%20Needs%20To%20Know\\_FINAL.pdf](https://www.dropbox.com/s/egpkggbzi8fb7ei/Audit%20Essentials%20What%20Every%20Board%20Needs%20To%20Know_FINAL.pdf)

Audit Essentials: What Every Board Needs to Know (Recorded Webinar)  
<https://communityactionevents.webex.com/communityactionevents/lsr.php?RCID=923065220a1b1b16101abcbf41730696>

## 8.2 The department follows local government procedures in addressing any audit findings related to CSBG funding.

### A. Guidance on the Definition and Intent of the Standard

The conduct of the audit and receipt of the related audit report is the first step in the accountability cycle of a department. However, the audit cycle is not complete simply upon submission of the report. How the information presented in the report is processed and what is done with the conclusions of the audit are perhaps more important than the audit report itself.

Regardless of how excellent a department's systems are, a malfunction or error in any system is a possibility. While it is important to strive for perfect compliance in administering Federal and state programs, the occasional error or finding in an audit report is not a catastrophe. How the department responds to a finding is the true sign of a strong agency.

The Department of Health and Human Service's Grants Policy Statement states very clearly "Recipients must follow a systematic method for ensuring timely and appropriate resolution of audit findings and recommendations, whether discovered as a result of a Federal audit or a recipient-initiated audit." Further, "Failure to submit timely responses may result in cost disallowance or other actions by HHS or OPDIV."

The Uniform Guidance also clearly states "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The auditee must also prepare a corrective action plan<sup>1</sup> for current year audit findings." (Paragraph 200.511)

If a finding from a prior year is not appropriately addressed by an entity before the next audit, the lack of timely response becomes even more significant. If this occurs, the entity would then have two findings in the subsequent audit. The first would be the original finding and the second would be that there was no system in place to resolve findings and make corrections.

Compliance with Standard 8.2 requires the department to comply with local government procedures to address any audit findings related to CSBG funding. For this reason, it is crucially important that department leadership fully understand that process, be aware of any findings that involve the department, fully cooperate with procedures to address findings, and ensure that they are completely addressed as required.

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<sup>1</sup> Please note that the terminology "corrective action plan" in this case is a technical term used in the audit process, and should not be confused with quality improvement plans or similar terms used by State CSBG Lead Agencies in monitoring and oversight processes.

## B. Guidance on Compliance and Documentation

The review team should always begin the process of documenting compliance with the Organizational Standards by reviewing the most recent audit, specifically the Schedule of Findings and Questioned Costs. If not contained in the audit report document, the review team should also consult the Corrective Action Plan(s) (or similar document/process required by the local government) prepared by management in response to audit findings and questioned costs. Specific issues the review team should consider that may affect compliance with Standard 8.2 include:

- **Did the audit contain any findings and/or questioned costs?** The first step to ensure compliance with this Standard is to ascertain if the department's audit contained any findings.
- **Were the corrective action plans (or similar documents/procedures required by the local government) actually submitted to appropriate audit oversight entity?** The second step to ensure compliance is to review and document that the department followed local government procedures to address any audit findings. If there were findings, the review team should read through the required procedures and check to ensure they were fully followed by the department.
- **Was the corrective action plan (or similar document/procedure required by the local government) prepared actually adequate to resolve the issue identified?** Local government procedures will almost certainly require that the department fully address any audit findings. Simply because a corrective action plan was prepared, does not necessarily mean the plan is adequate to address the finding. An analysis must be done by the review team as to the appropriateness and completeness of the corrective action plan. Communication with the appropriate oversight entity may be a good resource to help ascertain the adequacy of the response and ensure the department has adequately assessed the situation.
- **Was the finding actually a legitimate finding?** Simply because the auditor has indicated an issue is a finding does not always mean the finding is appropriate or correct. Before adopting a corrective action plan, it is vital that management has considered the appropriateness of the finding. Each finding is required to contain a citation as to the regulation that has been violated. If the finding does not contain this citation, or there appears to be a misunderstanding of the facts, it is important that management document its position and follow up with the auditor to reach resolution. The review team should not need to do the follow up process, but rather should review the documentation of this process to confirm the department has assessed the finding.

There are two types of documentation required to show that a department is in compliance with Standard 8.2. This includes (1) documentation of the local government process to address audit findings, and (2) documentation that confirms the department has followed the process.

Documentation for the first might include:

- A physical or electronic copy of the local government procedures to address audit findings

Documentation for the second might include:

- Certification by the parent agency or other local government authority that the department has followed procedures

## C. Beyond Compliance: Benchmarking Organizational Performance

To assess how the department addresses findings from the audit process, the review team should focus on how the finance department, senior leadership, and the tripartite board/advisory body have dealt with previous audit findings. In addition, the review team can consider:

- **Has the department effectively addressed any audit findings?** The review team can assess how the department responded to recent audit findings. Did the response include measures to assure the problem would not happen again? Does the department and/or parent agency provide adequate training and other support around financial processes to prevent problems that might result in audit findings?

## D. Resources

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

<http://www.ecfr.gov/cgi-bin/text-idx?SID=0d9415f781ec5b75b44308ce5b21b67e&mc=true&tpl=/ecfrbrowse/Title02/2chapterII.tpl>

Audit Essentials: What Every Board Member Needs to Know

[https://www.dropbox.com/s/egpkggbzi8fb7ci/Audit%20Essentials What%20Every%20Board%20Needs%20To%20Know\\_FINAL.pdf](https://www.dropbox.com/s/egpkggbzi8fb7ci/Audit%20Essentials%20What%20Every%20Board%20Needs%20To%20Know_FINAL.pdf)

## 8.3 The department's tripartite board/advisory body is notified of the availability of the local government audit.

### A. Guidance on the Definition and Intent of the Standard

The tripartite board/advisory body for a department has a different relationship to its budget and financial processes than the governing board of a nonprofit CAA. This is because the local government has formal oversight authority over the department's budget and financial processes in addition to any role played by the tripartite board/advisory body, whereas a nonprofit agency's board plays the role of formal oversight authority in this regard.

Despite this difference, the tripartite board/advisory body still has an important role to play in the department's management of its financial resources. Understanding the results of the audit process is an important part of knowing how the department manages its fiscal operations. However, it is important to note that compliance with Standard 8.3 only requires that the tripartite board/advisory body be notified of the availability of the local government audit.

### B. Guidance on Compliance and Documentation

Issues the review team should consider for Standard 8.3 include:

- **The tripartite board/advisory body was notified that the department completed its audit but not that local government audit results were available.** Notifying the tripartite board/advisory body that the department has complied with the local government audit process is not the same as notifying the board that the audit results are available. To comply with this Standard, the board should be formally notified once the results are available.

Verification of compliance with Standard 8.3 would include documentation evidencing that the tripartite board/advisory body was notified that the local government audit results were available. This might include:

- Board meeting minutes indicating notification of audit availability; or
- An email to all board members notifying them of audit availability.

### C. Beyond Compliance: Benchmarking Organizational Performance

The review team can consider a number of questions when assessing how the board is involved with the audit process and results. These include:

- **Does the department leadership discuss the audit process with the board?** Going beyond compliance would include ensuring that the tripartite board/advisory body understood the audit process and that department leadership directly provided them with its results.

- **Does the board have adequate training on interpreting the audit?** Most boards usually only have one or two members with a background in accounting or finance. Providing the board with basic training in how the audit process works, how to interpret financial statements, and how to interpret audit results builds overall board capacity on finance and budget issues.

## D. Resources

Audit Essentials: What Every Board Member Needs to Know

[https://www.dropbox.com/s/egpkggbzi8fb7ei/Audit%20Essentials What%20Every%20Board%20Needs%20To%20Know\\_FINAL.pdf](https://www.dropbox.com/s/egpkggbzi8fb7ei/Audit%20Essentials%20What%20Every%20Board%20Needs%20To%20Know_FINAL.pdf)

## 8.4 The department's tripartite board/advisory body is notified of any findings related to CSBG funding.

### A. Guidance on the Definition and Intent of the Standard

As noted in the discussion of Standard 8.3, the tripartite board/advisory body for a department has a fiduciary relationship to the department than the boards of its nonprofit counterparts. In the case of audit findings, the department is required to follow local government procedures that almost certainly require it to resolve any issues with the appropriate public sector oversight authority, while the board of a nonprofit CAA has formal fiduciary responsibility in terms of financial oversight.

Despite this difference, the tripartite board/advisory body still has an important role to play in fiscal issues. Audit findings and how the department responds to them can point to deeper issues with its management and leadership. Such issues might also affect the department's ability to manage its programs and services. For these reasons, the tripartite board/advisory body has a direct interest in knowing about any problems with the audit. However, it is important to note that compliance with Standard 8.3 only requires that the tripartite board/advisory body be notified of any findings with CSBG funding.

### B. Guidance on Compliance and Documentation

The review team should always begin the process of documenting compliance with the Organizational Standards by reviewing all available guidance from the State CSBG Office on the interpretation of the standard and required documentation. Specific issues the review team should consider that may affect compliance with Standard 8.4 include:

- **The tripartite board/advisory body was notified of the availability of the audit but not of any findings with CSBG funding.** If the department had any audit findings with its CSBG funding, it must go beyond simply notifying the board that audit results are available as required in Standard 8.3 and specifically notify the board of the findings.

Standard 8.4 requires documentation that the tripartite board/advisory body has been directly notified of all audit findings with CSBG funding. This might include:

- Board minutes indicating notification of all audit findings with CSBG funding, or
- A formal communication (e.g. email, letter) to the board notifying them of all audit findings with CSBG funding.



## C. Beyond Compliance: Benchmarking Organizational Performance

Given the similarity between Standards 8.3 and 8.4, the review team can assess this Standard with the same criteria suggested in the discussion of 8.3.

## D. Resources

Audit Essentials: What Every Board Member Needs to Know

[https://www.dropbox.com/s/egpkggbzi8fb7ei/Audit%20Essentials What%20Every%20Board%20Needs%20To%20Know\\_FINAL.pdf](https://www.dropbox.com/s/egpkggbzi8fb7ei/Audit%20Essentials%20What%20Every%20Board%20Needs%20To%20Know_FINAL.pdf)

**8.5 Not applicable: The audit bid process is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.**

The Standard does not apply to departments because their tripartite boards/advisory bodies do not have the formal authority to solicit bids for the audit process.

**8.6 Not applicable: The Federal tax reporting process for local governments is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.**

The Standard does not apply to departments because their tripartite boards/advisory bodies do not have formal authority over the tax reporting processes of public agencies.

## **8.7 The tripartite board/advisory body receives financial reports at each regular meeting, for those program(s) the body advises, as allowed by local government procedure.**

### **A. Guidance on the Definition and Intent of the Standard**

As previously mentioned, there are differences between the roles and responsibilities related to financial issues of a department's tripartite board/advisory body and a nonprofit agency's governing board. The tripartite board/advisory body may have limited direct authority over the department's budget and how its fiscal resources are deployed. No matter how much influence the tripartite board/advisory body has over budgetary matters, it still has the ability to provide input to the department, parent agency, and local government on how financial resources are distributed across programs and services. For boards that do have direct input, regular financial reports are crucially important to monitor the implementation of programs and services.

For this reason alone, the tripartite board/advisory body should have a clear understanding of the department's overall allocation of CSBG funding, how it is distributed across programs and services, and the status of the department's finances. While Standard 8.7 does not specify the specific form of financial reports the tripartite board/advisory body should receive, this will most likely include the budget versus actual comparison for revenues and expenditures across the programs the board advises.

This report compares the financial plan or budget to the actual financial operating results for the period to date. The board should receive the report and review the information contained in the report. This report is a progress report against a plan or budget. If there are variances between the actual results to date and the budget, the board should inquire of the department's management the reason for the variance. The existence of a variance from budget is not a significant concern if there is a reasonable plan to address the variance.

If revenue is less than budgeted for a particular program, this could be a problem if expenditures exceed the revenue. However, if revenue is below budget and the related expenditures are below budget – in essence offsetting variances – no problem is indicated. On the other hand, if grant revenues are in line with budget, but expenditures exceed budget, a problem is indicated. This is one of those times that it is important to rely on the financial expert on the board to help interpret what the financial statements mean and if worrisome trends are developing.

A key issue for financial reports is the timeliness of information. The information portrayed is valid as of the last date covered by the report. If the tripartite board/advisory body is receiving information that is 'old' the value of the information is minimal. There are no exact rules on what information is considered timely, but the information must be available in a manner for the board to be able to take corrective action based on the information received (if it has such authority). For example, if the board is receiving financial information for the first quarter of the fiscal year well into the third quarter of the fiscal year, the information is too late to allow the board to take action to get the finances back in line before year end.

Also, the information presented to the board must be accurate. If the board receives inaccurate information, makes a decision based on that information, they are in essence making an inaccurate decision for the real situation. Comparing the accuracy of on-going financial reporting to year-end audit information is one way to determine the validity of information presented to the board.

## B. Guidance on Compliance and Documentation

The review team should always begin the process of documenting compliance with the Organizational Standards by reviewing all available guidance from the State CSBG Lead Agency on the interpretation of the standard and required documentation. Specific issues the review team should consider that may affect compliance with Standard 8.7 include:

- **The tripartite board/advisory body does not receive reports at a “special” meeting.** The Standard requires that the Board receive the delineated reports at each regular meeting. If a special meeting is called to deal with a particular topic – strategic planning, for example, the standard does not require the board receive the stated reports. The board simply needs to receive financial reports at every regular meeting during the year.
- **The tripartite board/advisory body misses a regular meeting.** It is possible that a board which typically meets monthly may take a month off during the summer or over the winter holidays. It is also possible that a board meeting is cancelled due to inclement weather or other causes. Finally, a board meeting may be scheduled and planned to be held, but quorum is not established and the meeting does not count as a regular board meeting. The standard does not require for reports to be provided to the board each and every month. Rather, the standard requires the information is provided to the board at each regular meeting. For organizations providing year to date reports, this would not require any additional reporting of modification of format, as the next report would automatically include any preceding month’s financial data. Alternatively, if the organization reports specific data monthly, the following month could simply include two monthly sets of reports to meet the Standard if the board misses a regular meeting for any of the reasons listed above.

The documentation required to show that an agency is in compliance with Standard 8.7 might include:

- Board agenda;
- Board meeting packet with required reports included;
- Board meeting minutes;
- Email to the Board members with the required reports attached; or
- Physical log with Board signatures attesting to the fact they had received the forms

## C. Beyond Compliance: Benchmarking Organizational Performance

It is strongly suggested that the review team use the questions and resources in this section to conduct a further evaluation of this Standard. Such options might include:

- **What is done with the financial information in the reports?** It is very easy to receive a report. This action does not really provide much value though. What is done with the information in the report is the true value provided by the information. Ideally, the board receives the financial information, reviews it and asks questions related to the information. How the data informs actions to be taken is the true value of the financial information. Correcting an error or changing the direction of an unfavorable trend is true value from the process. The board's role is to set strategic guidance (as allowed by the local government) on finance and other issues of the entity and management's responsibility is to operationalize those goals.
- **Is anyone qualified to interpret what the reports say?** Ideally, there is a financial expert on the board who works with financial information and is very comfortable interpreting the underlying story of the numbers. It is not required that this person be a certified public accountant. There are many individuals that work in finance related professions that possess the expertise beneficial to a department.

## D. Resources

Audit Essentials: What Every Board Member Needs to Know

[https://www.dropbox.com/s/egpkggbzi8fb7ei/Audit%20Essentials What%20Every%20Board%20Needs%20To%20Know\\_FINAL.pdf](https://www.dropbox.com/s/egpkggbzi8fb7ei/Audit%20Essentials%20What%20Every%20Board%20Needs%20To%20Know_FINAL.pdf)

Fiscal Fundamentals for Executive Directors

[www.communityactionpartnership.com/storage/cap/documents/toolkits/fiscal\\_fundamentals\\_for\\_executive\\_directors.pdf](http://www.communityactionpartnership.com/storage/cap/documents/toolkits/fiscal_fundamentals_for_executive_directors.pdf)

“Must Have” Financial Information for Boards and CEOs (webinar)

<https://youtu.be/x7fD0nko-24>

**8.8 Not applicable: The payroll withholding process for local governments is outside of the purview of the department, therefore this standard does not apply to public entities.**

The Standard does not apply to departments because they do not have formal authority over the payroll process.

## 8.9 The tripartite board/advisory body has input as allowed by local governmental procedure into the CSBG budget process.

### A. Guidance on the Definition and Intent of the Standard

A budget is the financial plan for an organization for the upcoming fiscal year. It is a basic component of running any organization to have a plan for where you are trying to go. You wouldn't set out on a trip without a map (or a GPS aided app on your smartphone). A budget is that plan or tool for financial purposes. The budget provides the overall financial vision for where the agency is headed in the next year.

The differences between a department's tripartite board/advisory body and a nonprofit agency's governing board in regards to finance and budget issues have been discussed in earlier parts of this Guide. No matter what level of formal authority the tripartite board/advisory body has over the department's budget, it is crucially important that it fully participate in the budgetary process to the extent it is allowed. Even if the board lacks formal authority over the budget, it can still play a valuable role in representing the interests of the low-income community to the local government.

For this reason, it is vitally the tripartite board/advisory body have a clear understanding of what input it is allowed and a strategy in place to exercise its influence. It is important to stress that this role requires a clear understanding of the department's community assessment and strategic plan to ensure that financial resources are directed towards the needs of the low-income community and deployed in accordance with the department's mission and overall strategic objectives.

### B. Guidance on Compliance and Documentation

The review team should always begin the process of documenting compliance with the Organizational Standards by considering all available guidance from the State CSBG Office on the interpretation of the Standard and required documentation. Specific issues the review team should consider that may affect compliance with Standard 8.9 include:

- **The tripartite board/advisory body does not provide input on the CSBG budget process.** This standards only requires that the department and local government allows board participation in the CSBG budget process as allowed by local government procedure, not that the board actually provides input. However, if it was found that the board did not provide input because it was blocked by the department or local government from participating in the budget process in a way that was allowed according to procedure, the department would not be in compliance with the Standard.
- **The department encourages tripartite board/advisory body participation in the CSBG budget process as allowed by procedure, but the parent agency or local government limits board involvement.** In some cases, a local government may not follow its own procedures about the involvement of the tripartite board/advisory body in the CSBG budget process. Even though the department would technically not comply with the Standard in such a case, the finding of non-compliance can be used to encourage the local government to follow the required budget process.



The two types of documentation required to show that an agency is in compliance with Standard 8.9 include (1) the local government procedure for tripartite board/advisory body participation in the CSBG budget process, and (2) evidence that the board was allowed to participate as required.

Examples of the first type of documentation would include:

- A copy of the local government procedures for tripartite board/advisory body participation in the CSBG budget process.

Examples of the second type of documentation would include:

- Formal communication from the board that it participated as allowed; or
- Documentation of board participation in the budget process as allowed (e.g. board budget recommendations submitted to the local government, board meeting minutes noting formal participation)

## C. Beyond Compliance: Benchmarking Organizational Performance

It is strongly suggested that the review team use the questions and resources in this section to conduct an assessment of this Standard. Such questions include:

- **Is there a connection to the community assessment and strategic plan?** Ideally, the budget community assessment, and strategic plan of a department are intertwined. The community assessment determines the needs, the strategic plan is the programmatic outline for the department, and the budget sets the allocation of financial resources. A department can't deliver programs without financial resources and possessing money doesn't achieve outcomes unless it is appropriately deployed. The highest functioning departments link the development of the budget with the community assessment and strategic plan. Each of these directs and informs the other.
- **Does the tripartite board/advisory body make recommendations about anti-poverty funding priorities to the local government?** Even if the board lacks formal authority over the CSBG budget process, it can still exercise informal influence through making recommendations to the local government about its funding priorities regarding anti-poverty programs. These recommendations can apply not just to the parent agency of the department, but to local government funding priorities as a whole.

## D. Resources

Fiscal Fundamentals for Executive Directors. Community Action Partnership, 2014.

[http://www.communityactionpartnership.com/storage/cap/documents/toolkits/fiscal\\_fundamentals\\_for\\_executive\\_directors.pdf](http://www.communityactionpartnership.com/storage/cap/documents/toolkits/fiscal_fundamentals_for_executive_directors.pdf)

**8.10 Not applicable: The fiscal policies for local governments are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.**

This Standard does not apply to departments because they do not have authority over local government fiscal policies.

**8.11 Not applicable: Local governmental procurement policies are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.**

This Standard does not apply to departments because they do not have authority over local government procurement policies.

**8.12 Not applicable: A written cost allocation plan is outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.**

This Standard does not apply to departments because they do not have authority over cost allocation.

## 8.13 The department follows local governmental policies for document retention and destruction.

### A. Guidance on the Definition and Intent of the Standard

While records retention and destruction policies for nonprofits are defined in part by the Sarbanes-Oxley Act, departments are required to follow the policies set by their local governments. Records retention and destruction policies are important for a number of reasons. Perhaps most importantly, they involve legal important issues related to investigations (e.g. malfeasance, discrimination) and privacy. Compliance with record retention and destruction can also have an impact on the efficiency of a department given the large amount of documents public agencies can generate.

For these reasons, it is important that the department be familiar with its local government records retention and destruction policy. Staff should also be familiar with such requirements since responsibility for document management is typically distributed across a department.

### B. Guidance on Compliance and Documentation

The review team should always begin the process of documenting compliance with the Organizational Standards by considering all available guidance from the State CSBG Office on the interpretation of the standard and required documentation. Specific issues the review team should consider that may affect compliance with Standard 8.13 include:

- **The department follows local government policies but cannot document compliance.** Because of the diversity of types of documents covered by retention and destruction policies and that they are managed by staff at all levels of the department, it may be difficult to demonstrate full compliance. For this reason, it is important that staff consistently document compliance with policy.

The documentation required to show that a department is in compliance with Standard 8.13 includes (1) the local government policy on document retention and destruction, and (2) evidence that demonstrates compliance with the policy.

Documentation for the first component of the Standard would include a copy of the local government policy on document retention and destruction. Documentation for the second component could include:

- Record of compliance provided by the parent agency (e.g. certification by compliance staff); or
- Records demonstrating compliance (e.g. records demonstrating consistent destruction of documents)

### C. Guidance on Further Evaluation of the Standard

Questions the review team can ask include to help a department go beyond compliance in regards to document retention and destruction include:

- **Is the policy consistently implemented across the department?** Because document management is something that occurs at all levels of the department, it can be easy for policy requirements to “fall between the cracks”. Even spot checks conducted to ensure compliance can fall short of ensuring compliance, so the review team can conduct its own assessment to ensure documents are handled correctly

## D. Resources

Individual states and local governments typically post document retention and destruction requirements. Departments are encouraged to identify the policies that apply to them.

<b>Standard 8.1</b> The department's annual audit is completed through the local governmental process in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. This may be included in the municipal entity's full audit.	<ul style="list-style-type: none"> <li></li> </ul>								
<b>Standard 8.2</b> The department follows local government procedures in addressing any audit findings related to CSBG funding.	<ul style="list-style-type: none"> <li></li> </ul>								
<b>Standard 8.3</b> The department's tripartite board/advisory body is notified of the availability of the local government audit.	<ul style="list-style-type: none"> <li></li> </ul>								

	Unacceptable	Unsatisfactory	SATISFACTORY	Advancing	Outstanding
<b>Standard 8.1</b>	The department does not have an audit	The department's audit was not conducted in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements.	The department's annual audit is completed through the local governmental process in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. This may be included in the municipal entity's full audit.	The department's annual audit is completed through the local governmental process in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. Audit adjustments were few or none. The audit report had no findings or questioned costs.	The department's annual audit is completed through the local governmental process in accordance with Title 2 of the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirement (if applicable) and/or State audit threshold requirements. There have been no audit adjustments, findings, or questioned costs for the past three years.
<b>Standard 8.2</b>	The department has addressed none of the findings from the prior year's annual audit related to CSBG funding, or	The department has addressed some, but not all of its audit findings related to CSBG funding, or is otherwise only in partial compliance with local government procedures.	The department follows local government procedures in addressing any audit findings related to CSBG funding.	All findings from the prior year's annual audit have been assessed by the organization and addressed where the governing board has deemed it appropriate. Corrective action plans for each finding have been prepared by staff and implementation of the plans have begun.	All findings from the prior year's annual audit have been assessed by the organization and addressed where the governing board has deemed it appropriate. Corrective action plans for each finding have been prepared by staff. The corrective action plans have been reviewed by the Board if feasible and appropriate and by the impacted funding agencies. Implementation of the plans have begun.
<b>Standard 8.3</b>	The Board of Directors does not receive the audit from the organization's auditor.	The organization sends the audit reports to the Board of Directors.	The department's tripartite board/advisory body is notified of the availability of the local government audit.	The organization's auditor presents the audit to the governing board and is available to answer questions and provide clarification (either in person, by email, or over the phone).	The organization's auditor presents the audit to the governing board and a robust conversation about the audit results.

### Category 8: Financial Operations and Oversight – Assessment Scale



	Documentation Used	Unacceptable	Unsatisfactory	Satisfactory	Advancing	Outstanding	Action to be Taken	Individual(s) Responsible	Target Date(s)
<b>Standard 8.4</b> The department's tripartite board/advisory body is notified of any findings related to CSBG funding.	•								
<b>Standard 8.5</b> Not applicable: The audit bid process is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.	•								
<b>Standard 8.6</b> Not applicable: The Federal tax reporting process for local governments is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.	•								

	Unacceptable	Unsatisfactory	SATISFACTORY	Advancing	Outstanding
<i>Standard 8.4</i>	The agency does not have an audit or the board did not receive the results.	The board received but did not formally accept the audit.	The department's tripartite board/advisory body is notified of any findings related to CSBG funding.	The governing board formally receives and accepts the audit. The agency also provides prior board training on how to read an audit,	The governing board formally receives and accepts the audit, receives prior training on how to read an audit, and is provided the opportunity to fully discuss audit results.
<i>Standard 8.5</i>			Not applicable: The audit bid process is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.		
<i>Standard 8.6</i>			Not applicable: The Federal tax reporting process for local governments is outside of the purview of tripartite board/advisory body therefore this standard does not apply to public entities.		

#### Category 8: Financial Operations and Oversight – Assessment Scale

	Documentation Used	Unacceptable	Unsatisfactory	Satisfactory	Advancing	Outstanding	Action to be Taken	Individual(s) Responsible	Target Date(s)
<b>Standard 8.7</b> The tripartite board/advisory body receives financial reports at each regular meeting, for those program(s) the body advises, as allowed by local government procedure.	•								
<b>Standard 8.8</b> Not applicable: The payroll withholding process for local governments is outside of the purview of the department, therefore this standard does not apply to public entities.	•								
<b>Standard 8.9</b> The tripartite board/advisory body has input as allowed by local governmental procedure into the CSBG budget process.	•								

	Unacceptable	Unsatisfactory	SATISFACTORY	Advancing	Outstanding
<b>Standard 8.7</b>	The governing board does not receive any financial reports at its regular meetings.	The governing board receives either the organization-wide report on revenue and expenditures compared to budget or the statement of financial position, but not both. Alternatively, the governing board receives at a minimum both required reports but does not consistently receive them at each of their regular meetings.	The tripartite board/advisory body receives financial reports at each regular meeting, for those program(s) the body advises, as allowed by local government procedure.	The governing board receives financial reports at each regular meeting that include the following: 1. Organization-wide report on revenue and expenditures that compares budget to actual, categorized by program; and 2. Balance sheet/statement of financial position. In addition to the two required reports, the governing board receives additional financial information that either it has requested to assist in the analysis of the financial position of the entity or that staff feel would be helpful.	The governing board receives financial reports at each regular meeting that include the following: 1. Organization-wide report on revenue and expenditures that compares budget to actual, categorized by program; and 2. Balance sheet/statement of financial position. In addition to the two required reports, the governing board receives additional financial information that either it has requested to assist in the analysis of the financial position of the entity or that staff feel would be helpful. Further, the board receives training on reading financial reports.
<b>Standard 8.8</b>			Not applicable: The payroll withholding process for local governments is outside of the purview of the department, therefore this standard does not apply to public entities.		
<b>Standard 8.9</b>	No budget is prepared for the organization.	Either an organization-wide budget is approved by the governing board subsequent to the start of the fiscal or individual grant budgets, but not an organization-wide budget, is approved by the board.	The tripartite board/advisory body has input as allowed by local governmental procedure into the CSBG budget process.	The governing board annually approves an organization-wide budget prior to the start of the fiscal year.	The governing board annually approves an organization-wide budget prior to the start of the fiscal year. The budget is tied to the strategic plan of the organization.

### Category 8: Financial Operations and Oversight – Assessment Scale

	Documentation Used	Unacceptable	Unsatisfactory	Satisfactory	Advancing	Outstanding	Action to be Taken
<b>Standard 8.10</b> Not applicable: The fiscal policies for local governments are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.	•						
<b>Standard 8.11</b> Not applicable: Local governmental procurement policies are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.	•						
<b>Standard 8.12</b> Not applicable: A written cost allocation plan is outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.	•						
<b>Standard 8.13</b> The department follows local governmental policies for document retention and destruction.	•						

	Unacceptable	Unsatisfactory	SATISFACTORY	Advancing	Outstanding
<i>Standard 8.10</i>			Not applicable: The fiscal policies for local governments are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.		
<i>Standard 8.11</i>			Not applicable: Local governmental procurement policies are outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.		
<i>Standard 8.12</i>			Not applicable: A written cost allocation plan is outside of the purview of the department and the tripartite board/advisory body, therefore this standard does not apply to public entities.		
<i>Standard 8.13</i>	The organization has no record retention or destruction plan.	The organization has a record retention and destruction plan but it is not in writing or only one of the elements is present in the written policy	The department follows local governmental policies for document retention and destruction.	The organization has a comprehensive written policy in place for record retention and destruction that is uniform in requirements for all units/divisions of the organization and approved by the board.	The organization has a comprehensive written policy in place for record retention and destruction that is uniform in requirements for all units/divisions of the organization and approved by the governing board. Regular checks are conducted to ensure compliance with the policy.

#### Category 8: Financial Operations and Oversight – Assessment Scale

For all the latest information on Organizational Standards, check out the **“Updates on CSBG Organizational Standards and ROMA Next Generation”** quicklink on Community Action Partnership’s website at [www.communityactionpartnership.com](http://www.communityactionpartnership.com)



The screenshot shows the Community Action Partnership website. A red arrow points to the 'quicklinks' section on the left sidebar. The main content area features a banner for the 'COMMUNITY ACTION PARTNERSHIP ANNUAL CONVENTION' held in San Francisco, CA, in August 2015. Below this is a section for the '2016 MANAGEMENT AND LEADERSHIP TRAINING CONFERENCE' in New Orleans, LA, scheduled for January 6-8, 2016. The right sidebar contains links to the 'NATIONAL TRAINING CENTER', 'RESOURCES', 'LEARNING COMMUNITIES RESOURCE CENTER', and 'HOW YOU CAN HELP'.

**COMMUNITY ACTION PARTNERSHIP**  
THE NATIONAL ASSOCIATION | WASHINGTON, DC

**quicklinks**

- Partnership Membership Form
- Updates on CSBG Organizational Standards and ROMA Next Generation
- Annual Convention
- Certified Community Action Professional (CCAP)
- Subscribe to the eNews
- Community Action Code of Ethics
- New Reality Initiative
- Community Economic Development Website
- Managing My Money Financial Literacy Website
- 2015 Community Action Partnership Fact Sheet

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Community Action changes people's lives, embodies the spirit of hope, improves communities, and makes America a better place to live. We care about the entire community, and we are dedicated to helping people help themselves and each other.

**HOW YOU CAN HELP**

Community Action Partnership  
1140 Connecticut Avenue, NW  
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Washington, DC 20036  
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- Technical Assistance Guides
- Update Webinars
- Assessment Tools
- Videos for Governing boards
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- Glossary of Terms
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Community Action Partnership  
1020 19<sup>th</sup> Street NW, Suite 700  
Washington, DC 20036

202.265.7546 | fax202.265.5048  
[www.communityactionpartnership.com](http://www.communityactionpartnership.com)