

## **DHS Responses to Public Comments Arkansas Community Services Block Grant Rule Manual FY2024 And 2025 Update**

**Jessica Hallman**

**NADC Stone County Coordinator**

**Teresa Goings**

**Cindi Poulson**

**Comment:** To whom it may concern, The funding to the community action agencies in Arkansas seems disproportionate to both the relative number of CSBG-eligible persons within each Agency's geographic territory as well as the geographic area itself. This results in less funding for areas where the populations of low-income people are growing and continues a level or increasing funding where low-income populations are decreasing. This results in a disproportionate benefit to agencies serving fewer persons while agencies with an increasing need receive a lower and lower proportionate share of the CSBG funds over time.

Because the State has not responded in recent years to requests to address these significant disparities, I'd like to offer the following as a public comment:

1. Please add to the State Plan such language needed in order that the appropriate hearings, both public and legislative, are mandated in the Plan, in order to demand consideration of a change in the State's funding formula for CSBG monies distributed to the community action agencies.

Because it is likely that these funding disparities have been in place for two or more decades, these hearings should take place as soon as possible. The goal of the State plan should be that a change in the formula, making it more responsive to the location of low-income persons, can be effective prior to CSBG allocations to the community action agencies for the grant period beginning October 1, 2024.

**Response:** The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. The process will be conducted in accordance with federal CSBG regulations.

**Comment:** 2. Please remove the "Hold Harmless" provision in the funding formula.

I believe these changes are necessary to alleviate the irreparable harm caused by a history of underfunding certain community action agencies in Arkansas.

Thank you so much for your consideration.

**Response:** The current funding formula for Arkansas CSBG is based on poverty level, population and a Hold-Harmless percentage. The Hold Harmless percentage is a base amount that is allocated to the eligible entity.

The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. The process will be conducted in accordance with federal CSBG regulations.

### **Pat Goines**

**Comment:** I feel that the funding to the community action agencies in Arkansas appears to be disproportionate to both the relative number of CSBG-eligible persons within each Agency's geographic territory as well as the geographic area itself. This results in less funding for all areas where the populations of low-income people are growing, and it also continues a level or increasing funding where low-income populations are greatly decreasing. This results in a disproportionate benefit to all agencies serving fewer persons while the agencies with an increasing need receive a much lower and lower proportionate share of the CSBG funds over time. I feel this formula is not fair compared to other communities. The State has not responded in recent years to any of the requests to address these significant disparities. I'd like to offer the following as a public comment: 1. Please add to the State Plan such language needed in order that the appropriate hearings, both public and legislative, are mandated in the Plan, in order to demand consideration of a change in the State's funding formula for CSBG monies distributed to the community action agencies. Because it is most likely that these funding disparities have been in place for two or more decades, these hearings should take place as soon as possible. The goal of the State plan should be that a change in the formula, making it more responsive to the location of low-income persons, can be effective prior to CSBG allocations to the community action agencies for the grant period beginning October 1, 2024. 2. Please remove the "Hold Harmless" provision in the funding formula. I believe these changes are necessary to alleviate the irreparable harm caused by a history of underfunding certain community action agencies in Arkansas, my community and the surrounding communities are greatly under-funded because of this. Thank you so much for your consideration.

**Response:** The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. The process will be conducted in accordance with federal CSBG regulations.

### **Ron Cantrell, CPA, CFE**

**Comment:** After reviewing the proposed rules for CSBG funding for 2024 – 2025 I'd like to offer comments on one or more matters.

## 1. Section II Eligible Entity Allocation

The proposed Plan includes a provision for continuing to use the so-called “Hold Harmless” provisions in its funding formula. This provision allows a continuing of enhanced funding in areas with shrinking populations, while areas with growing populations suffer from a less than proportionate share of the allocated CSBG funds per CSBG-eligible person in higher growth areas, such as central and northwest Arkansas.

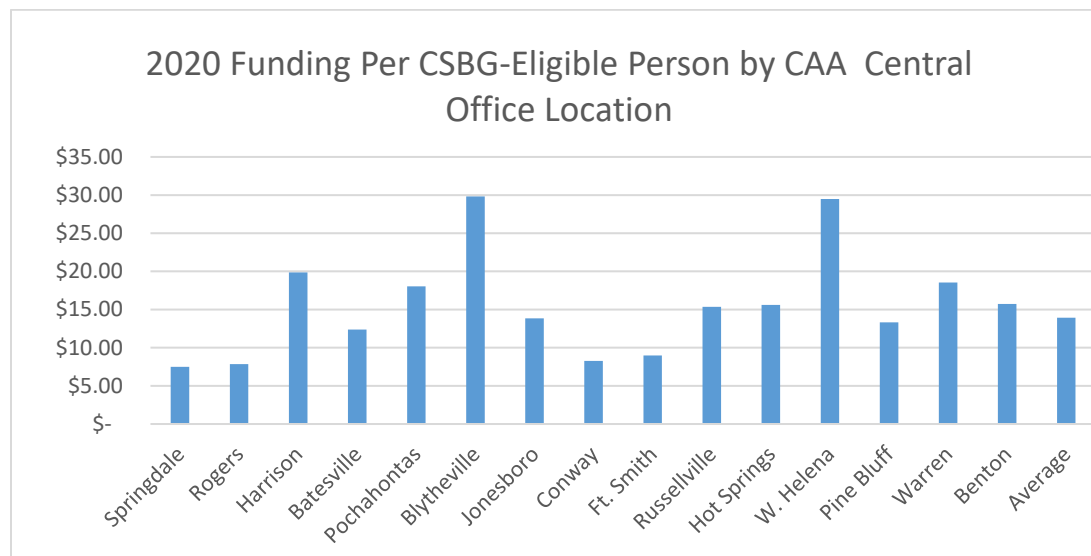
In order to allow CSBG funding to follow growing low-income populations wherever they are, this provision must be eliminated from the funding formula. I believe that It is not required by any Federal or State statute.

## 2. Section II Eligible Entity Allocation

The proposed Plan provides that the existing funding formula will remain in place for 2024-2025. This is very disadvantageous for areas with growing low-income populations, and a windfall for areas with shrinking populations. It results in undue enrichment for agencies in ever decreasing populations of low-income persons. It may most severely and negatively impact services for low-income Hispanic persons.

The current formula results in a disproportionately high level of CSBG funding to areas in certain areas where population shifts have been on a stark downward trend over the past two or more decades.

As of the 2020 Census here are the funding levels per CSBG eligible person in each CSBG region, to the best of my belief:



The funding per CSBG-eligible person ranges from \$7.49 per person in Washington County to \$29.82 in Mississippi County.

The Community Action Agency serving Mississippi County receives roughly 4 times per CSBG-eligible person than what the Agency serving Washington County gets, and also it being a smaller geographic area than Washington County.

Geographically, the area served by Northcentral Arkansas Development Council, Inc. in Batesville receives about \$87 per square mile of service area while Community Services Office, Inc. in Hot Springs receives about \$503 per square mile.

**Response:**

The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. This discussion will include a discussion on the current Census data. The process will be conducted in accordance with federal CSBG regulations.

**Comment:** 3. Section II Eligible Entity Allocation

The State's Office of Community Services, under the Division of County Operations, a division of the Arkansas Department of Human Services was aware of these funding disparities during the period between 2015-2017 as it was brought to their attention by an Agency executive directors during that time. OCS researched the funding formula, compared Arkansas' formula to other states' formulas, were aware of these disparities, but have been inattentive to the previous requests to address this issue.

The proposed Plan does not specifically stipulate that the State will work to remedy this situation or revisit the funding formula.

Without an explicit mandate in the Plan to research the funding formula, and arrive at a new, equitable formula, these harmful allocation methodologies can continue indefinitely.

There must be a provision in the Plan to require the State to consider a change to the funding formula in order to bring these disparities into a fair allocation among the Community Action Agencies. In accordance with CSBG IM #116 *Corrective Action, Termination, or Reduction of Funding*, a statewide redistribution of funds is necessary, based on census information and other appropriate data, (such as geographic region). This is because by using a fair funding formula, some community action agencies will see a reduction in funding from the immediately preceding year's. This reduction from other agencies is what will allow the previously under-funded Agencies to be funded to an appropriate level as the "pot of funds" is relatively static. Fairness to under-funded agencies can only be achieved by reducing funding to over-funded agencies.

This process requires a public hearing. It seems that a legislative hearing is also necessary, and this hearing may be a special hearing. I cannot be certain that this needs to wait until a regular legislative session.

My request is to include specific language in the State Plan that mandates an immediate public hearing and special legislative hearing for the purpose of redistributing CSBG funds based on census and other relevant information. These hearings and resultant changes need to be effective prior to the 2024 allocation of CSBG funds for the grant period beginning October 1, 2024.

**Response:** The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. The process will be conducted in accordance with federal CSBG regulations.

#### **Comment:** 4. Section III Governing Board

The Proposed Plan stipulates that:

“A quorum for a meeting of the board shall be over fifty percent (50%) of the board total as established in the agency’s bylaws.”

I believe that the 50% language should be removed and simply allow the quorum as determined by the agency’s by-laws to be the deciding factor on whether a quorum is met.

**Response:** The CAPLAW Communications for eligible entities bylaws recommendation for determining a quorum is as follows:

*“One-third of the directors in office is generally the lowest advisable number (and often the lowest number permitted by state corporate law). The reason not to set the quorum too low is that it can result in a very small portion of the board of directors taking action that will bind the entire organization. Allowing important corporate actions to be decided by a distinct minority of the total directors is not an advisable policy for the organization to follow.”*

#### **Comment:** 5. Section VI Community Services Block Grant Allowable Activities, Costs, and Domains

The Proposed Plan adds additional, expensive requirements for the auditor that are beyond what Uniform Guidance requires. It can only be speculated that these requirements are due to one or two Agencies having a history of late reports, not the entire network of the 15 or so community action agencies.

It seems that individual problems with audit timeliness can be dealt with on an agency-by-agency basis, rather than impose mandated requirements on every agencies’ independent auditors and administrative time. This will add additional, unnecessary costs for audits.

Of course, since CSBG funding is usually only a very small part of an Agency’s business, the lion’s share of the audit cost born by this mandate will not likely be borne by CSBG, but mostly by other programs, such as Head Start, Emergency Shelters, etc.

I'd like to see these DCO/OPPCGS additional audit requirements eliminated from the Plan, believing it to be an overreach in addition to peculiar.

**Response:** This is not a new change in language, it was in the previous policy.

The below language was due to the number of eligible entities requesting audit extensions. Items 1, 3, and 4 should be a part of the audit contract. Item 3 is required to be submitted with CSBG invoice and should be readily available without any additional time or cost burden.

*In Addition to the 2 CFR 200 requirements, DCO/OPPCGS requires the following:*

- 1. A copy of the signed audit engagement letter between the entity and the auditor;*
- 2. A copy of the payment (check copy/bank reconciliation showing proof of payment) to the auditor;*
- 3. A timeline with updates from the auditor on completion date of the audit; and*
- 4. letter from the auditor showing the date that the audit will be presented to the board.*

The overall cost of the annual audit should be allocated across funding sources. However, it should be noted that CSBG bears a disproportional share of the cost. While CSBG is not the major funding source for many of the eligible entities, many use the CSBG for Administrative costs that other funding sources will not cover.

**Comment:** 6. Section VI Community Services Block Grant Allowable Activities, Costs, and Domains

Regarding Disallowed Costs. I believe this section is, I believe, written in disfavor of the Agencies (subrecipients).

When costs that have been charged to an award are questioned, it is incumbent upon the grant agency to provide a written explanation, including specific regulatory references to support their assertion that the cost should be questioned or disallowed. Once that justification has been provided to the grantee in the form of a disallowance letter, the grantee then has an opportunity to provide an appeal, offer support for why they believe the cost is allowable. Only after that appeals process should the grantor require repayment. Repayment can be made by reducing future invoice requests, not necessarily writing a check to the State, unless it is after the grant period has ended.

The way this policy is written it allows too much an informal, unproven allegation to deprive Agencies of their potential allowable costs.

My suggestion is for DCO/OPPCGSS to research the Uniform Guidance requirements in this matter and formulate a policy that works in a fair and more formal manner for both the State and its grantees.

**Response:** The Office of Program Policy and Community Grant Services has an internal control policy for invoice processing (see attached).

**Comment:** 7. Section VI Community Services Block Grant Allowable Activities, Costs, and Domains

There is a discussion regarding Administrative Costs. However, there is no guidance here related to the limitations of Administrative Costs, if any.

Please include language here if there are limitations on Administrative Costs, or if they are not limited, expressly say so. If a waiver is required, and under what conditions, please include that information.

**Response:** There are no federal or state limitations on Administrative Costs to CSBG. The federal best practice is a limit of seventeen percent (17%). However, that has not been enforced in Arkansas. The practice of submitting and approving a waiver for Administrative Costs was discontinued over ten (10) years ago because there is no federal requirement for the practice.

**Comment:** 8. Other

I'd like to see a specific provision in the State Plan that requires invoice payments within 30 days of receipt, which I believe is a Federal requirement at 2 CFR Part 200.305(b)(3) and (or) 45 CFR part 75.305(b)(3). Cash flow is critical to some of the Agencies, I'm sure. I have also heard that Agencies have needed lines of credit and the need for this could be mitigated if the State would simply pay their invoices in a timely fashion.

Incorporating this into the State Plan may help ensure that Agencies have the cash they need to make payrolls, pay bills, without regard to staffing shortages, invoice questions, etc. from the funding agency.

**Response:** OPPCGS will make payments within thirty (30) days of the receipt of invoices contingent upon the following conditions: 1) there are federal funds available; and 2) after the invoice and documentation is complete and correct.

Please note if this request is implemented, spending as currently allowed (for example, prior to the state receipt of the federal award) will be delayed until after the federal award is received. This could be up to ninety (90) days after the beginning of the October 1 date.

**Allison Cantrell**

**Comment:** I believe the funding formula needs to be revised/updated to reflect current each county's census data as soon as possible. Currently the benefits are unevenly allocated. Persons of the same poverty level may see a massive difference in benefit amounts based simply on where they're located. CSBG funding should be evenly spread across the state so that all those who are hungry/living in poverty benefit.

Please address this pressing issue ASAP

**Response:** The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. The process will be conducted in accordance with federal CSBG regulations.

### **Sheila Cantrell**

**Comment:** I am very concerned that the State of Arkansas has allowed an unfair continuation of the allocation of CSBG funding to the various Community Action Agencies within Arkansas. I have become aware that there is a huge discrepancy in the amount of funds received by different agencies across the state when that funding is compared to the number of eligible persons in their geographic territory. In other words, if funding to each agency is divided out over the number of eligible persons in the area which they serve, then some agencies may be receiving as much as 4 times what other agencies in the state are receiving. I don't understand what could be the justification for this disproportionate allocation of taxpayer dollars.

I know that some Agencies serve a single county, while others serve many counties and I wonder if the size of an agency's territory is factored into the funding allocation since a larger area would increase the administrative cost of serving that area. If this is not currently the case, then I would like to suggest that it be considered.

I also understand that the draft plan proposed will continue the current lopsided funding method through 2025, when that shouldn't be necessary. I'd like to suggest that the proposed Plan be amended to include a necessary review of the formula, a revision so that it distributes CSBG dollars fairly to all agencies based on their eligible populations and the number of counties served, and that it be accomplished before the end of 2024. I'm asking this because the State has been aware of this issue, and has been asked to deal with it several times over the past few years. There should be no need to delay it any longer.

**Response:** The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. The process will be conducted in accordance with federal CSBG regulations.

### **Staci Albert**

**Comment:** In about 2016, it was noted that the amount of CSBG funding was not allocated based on low-income people located in each Agency's service area. This information was shared with the State Office of Community Services, after which time the State studied the issue, and



compared several other states' funding formulas to Arkansas'. A year ago, the leadership of OCS was asked to deal with the funding problems, and in a zoom meeting late 2022 indicated they would address it after the 2023 legislative session. However, the State Plan, under public comment until Saturday midnight, indicates the State will use the same formula as it has for the past several decades.

The amount per person eligible ranges from a high of about \$30 per person in Mississippi County (Blytheville) to a low of about \$7.50 in Washington County. NADC is about \$12.37 and the average is about \$13.93. This difference is stunning. NADC's estimates of its shortfall is about \$35,000 annually, but others in northwest Arkansas could be shorted more than \$200,000 each. CSBG is an income based program and I believe that two people in poverty with the same exact income should have the same dollar amount spent on them no matter what part of the state they reside. CSBG money is for people in poverty and should follow the shifting population of those people. The funding to the community action agencies in Arkansas seems disproportionate to both the relative number of CSBG-eligible persons within each Agency's geographic territory as well as the geographic area itself. This results in less funding for areas where the populations of low-income people are growing, and continues a level or increasing funding where low-income populations are decreasing. This results in a disproportionate benefit to agencies serving fewer persons while agencies with an increasing need receive a lower and lower proportionate share of the CSBG funds over time.

Because the State has not responded in recent years to requests to address these significant disparities, I'd like to offer the following as a public comment:

1. Please add to the State Plan such language needed in order that the appropriate hearings, both public and legislative, are mandated in the Plan, in order to demand consideration of a change in the State's funding formula for CSBG monies distributed to the community action agencies.

Because it is likely that these funding disparities have been in place for two or more decades, these hearings should take place as soon as possible. The goal of the State plan should be that a change in the formula, making it more responsive to the location of low-income persons, can be effective prior to CSBG allocations to the community action agencies for the grant period beginning October 1, 2024.

**Response:** The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. The process will be conducted in accordance with federal CSBG regulations.

**Comment:** 2. Please remove the "Hold Harmless" provision in the funding formula.

I believe these changes are necessary to alleviate the irreparable harm caused by a history of underfunding certain community action agencies in Arkansas.

**Response:** The current funding formula for Arkansas CSBG is based on poverty level, population and a Hold-Harmless percentage. The Hold Harmless percentage is a base amount that is allocated to the eligible entity.

The state plans to resume the discussions with the Arkansas eligible entities concerning changing the CSBG funding formula. The eligible entities will be notified to schedule a date for the discussions to begin. The process will be conducted in accordance with federal CSBG regulations.

## **Office of Program Policy (OPP) and Community Grant Services (CGS) Internal Control Process – Invoice Processing**

Agencies requesting funding must complete an application or submit a request in accordance with the rules and regulations for the specific program.

Applications are reviewed to determine if the agency meet the program requirements in accordance with the rules and regulations for the specific program.

Agencies who receive program funding are required to submit a budget identifying expenses that the funding will be used for. The budget is reviewed to determine that the expenses are allowable in accordance with the rules and regulations for the program and are a part of the submitted application. The budget review also includes ensuring that expenses are in the appropriate classification, i.e., administrative vs. program. If there are any concerns, the budget is returned to the agency for correction. Approval notification is provided to the agency after a complete review.

Training is provided to the approved agencies regarding the program in which funding has been approved prior to the start date for the grant.

Each agency has its own file with the application, budget, and grant award for individual tracking by the OPP and CGS staff.

Upon receipt of an invoice, the approved budget is reviewed by OPP and/or CGS staff to determine that expenses for which reimbursement is being requested are a part of the approved budget and application and that funds are available. OCS and/or OPP staff also checks the dates on the invoice to be sure they are correct. If not, the invoice is returned for correction and the agency notified of required next steps before further processing can occur.

Upon review of an invoice by the OPP and/or CGS staff and it is determined that the submission is accurate, the invoice is signed and dated by the OPP and/or CGS staff and submitted to the supervisor for review and approval. The review of the invoice ensures that the expenditures are within the period of performance for the grant and in the appropriate category. If there are any concerns with the

invoice, the supervisor will meet with the OPP and/or CGS staff and clear up any concerns. The supervisor signs the invoice and submits it to the administrative staff for further payment processing.

Upon receipt of the invoice by the administrative staff, the staff checks the AASIS system to ensure that funding is available, and coding is correct. This includes the approved award and purchase order. If there are any issues, notification is sent back to the program team for correction or clarification. The Administrative team tracks the purchase orders for the agencies and alerts the worker if funds need to be added. Upon completion of the review, the invoice is submitted to the Finance Team for further processing.

The Finance Team reviews the invoice and checks the AASIS and other program related systems to ensure funding is available and coding is correct. If there are any discrepancies or questions, the Finance team communicates back to the program team for additional information or clarification. Once complete, the Finance Team submits the invoice to the Accounts Payable Team for payment.

The Accounts Payable Team reviews the invoice. If there are questions, the Accounts Payable Team will reach out to the Finance Team for clarification and/or correction. The Finance team will reach out to the program team for any needed assistance.