

## Thomas Green

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**From:** Jim Masters [jmasters@caasm.org]  
**Sent:** Monday, October 19, 2009 2:30 PM  
**To:** Thomas Green  
**Cc:** 'jcasper7'  
**Subject:** Hello Thomas

Every five years I ask you for another copy of the Don Sykes memo of the mid-1990's in which he described how CSBG could be used for various administrative costs. I need it again. Help!

Could be e-mailed or FAXed to me at the address below.

Once again it is time for me to ask you

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DEPARTMENT OF HEALTH & HUMAN SERVICES

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ADMINISTRATION FOR CHILDREN AND FAMILIES  
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JAN 27 1999

Mr. Thomas E. Green  
Assistant Director  
Office of Community Services  
Arkansas Department of Human Services  
Division of County Operations  
Post Office Box 1437  
Little Rock, Arkansas 72203

Dear Mr. Green:

I am writing to express the Federal Office of Community Service's (OCS) position on the use, by eligible entities, of Community Services Block Grant (CSBG) funds to coordinate with and/or administer other federally funded programs. My understanding from your September 10, 1998, letter and from communications with others in Arkansas is that the Arkansas State Auditor's Office has taken the position that OMB Circular A-122 prohibits such use. For the reasons stated below and in the Enclosure, OCS disagrees.

Historically, and continuing to the present day, the CSBG program has been required to support and coordinate a wide range of services designed to reduce poverty and develop self-sufficiency among individuals and families. The CSBG funds have always been used to pay for general CAA administrative expenses, e.g. personnel, salary, space, equipment, outreach, coordination and referral. In effect, these CSBG expenditures assist in the administration of the various programs operated by a CAA. The aforementioned operational procedures have been utilized since 1967, are still consistent with the requirements for addressing the causes of poverty, and ensures that CAAs remain innovative, relevant, and flexible in delivering programs and services to the needy.

The focus of the CSBG Act is not on providing narrowly defined services (as contrasted with LIHEAP, for example) but rather on "the strengthening of community capabilities for planning and coordinating a broad range of Federal, State, local and other assistance (including private resources) related to the elimination of poverty." Therefore, this assistance is to be used in a manner responsive to local needs and conditions (Section 673(2)(A) of the 1998 CSBG Act). In addition to Section (A), the CSBG Act further describes the means by which its purposes are to be accomplished:

(B) the organization of a range of services related to the needs of low-income families and individuals...

(C) the broadening of the resource base of programs directed to the elimination of poverty...

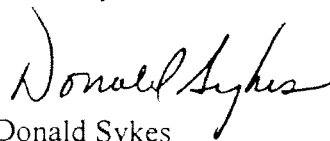
The CSBG Act also provides that the funds may be used by eligible entities to “make more effective use of, and to coordinate with, other programs related to the purposes of the Act, Section 676(b)(1)(C). The Act further requires the development of linkages “to fill identified gaps in the services, through the provision of information, referrals, case management, and follow-up consultations.” Section 676(b)(3)(B).

The intent of the community action program and the legislation supporting the program is to provide services. Prohibiting CAAs, through the use of A-122, from providing support services for program functions is in violation of the legislation and the intent of the block grant. Community Action Agencies, by law, are required to provide and support outreach, coordination, emergency services and to generate additional resources for program services. Denying CAAs the ability to provide support for other programs will prevent them from meeting and fulfilling their obligations under the law.

It is clear from the CSBG Act (and established precedents over its long history) that the primary purpose of the Act is reflected in the multi-service structure of Community Action Agencies. This purpose is not inconsistent with any provision of OMB Circular A-122, Cost Allocation Principles, which applies to the use of CSBG funds by eligible entities, 42 U.S.C. 9904. Attachment A, Paragraph A(4)(b) of the Circular states, “Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the additional resources or services available in other federally funded programs as required by the legislation.” Therefore, the use of CSBG funds for the purpose of enhancing, expanding, and coordinating with other federal programs does not constitute overcoming funding deficiencies of the other program. Similarly, the use of CSBG funds to pay for office space, salary or other administrative expenses and services of an agency employee (who coordinates and provides services to a number of different federally funded programs) does not violate the Circular’s prohibition on the use of CSBG funds regarding funding deficiencies.

In closing, the position of the Office of Community Services is that OMB Circular A-122 does not prohibit the use of CSBG funds, to coordinate, enhance, or augment other federal programs. (Please communicate this Office’s position on this issue to the State Auditor’s Office).

Sincerely,



Donald Sykes  
Director  
Office of Community Services

Enclosure

ENCLOSURE:

POINTS OF CONSIDERATION IN THE USE OF COMMUNITY SERVICES BLOCK  
GRANT FUNDS TO SUPPORT PROGRAMS OPERATED BY LOCAL CSBG PROVIDERS

- Federal legislation has always supported the use of CSBG funds to provide administrative services to other programs operated by CAAs.
- CSBG funds are effective, flexible federal grant funds, which support a broad range of other Federal, State and local, (public and private) initiatives aimed at reducing the causes and effects of poverty.
- With the Reauthorization of the CSBG Act in 1994, a provision was included which stipulates that the OMB Costs Principles apply to recipients of CSBG funds. Therefore, OMB Costs Principles contained in A-122 and A-87 is applicable. These principles address the manner in which allowable costs are to be allocated not whether legitimate costs of carrying eligible CSBG activities are allowable.
- The OMB cost principles do not define the eligible activities for the use of CSBG funds. The program legislation and administrative requirements define the use of CSBG funds.  
Examples:
  1. Legislation for the Low-Income Home Energy Assistance Program (LIHEAP) has a 15 percent administrative cost limitation. No funds from other Federal sources can be shifted to avoid restrictions imposed by the requirements of the law or the terms of the award. However, this does not prohibit a CAA from using CSBG funds to operate separate heating or cooling activities to address other local needs not addressed by LIHEAP. Moreover, this is not considered as duplicated services or supplementing funding deficiencies.
  2. Under the Community Food and Nutrition Program (CFN), States are administratively prohibited from using CFN funds to defray State administrative costs. These funds are passed through by the State for statewide CFN activities; however, the administrative costs of the CFN Program are primarily supported by the CSBG Program.
- CSBG funds constitute a small percentage, less than eight percent, of the funds available to local entities. CSBG funds allow subgrantee agencies to maintain current services, to create new initiatives, augment existing resources and extend relatively scarce or restricted services, available from other programs, to clients who would not otherwise be served.

Examples:

1. In New Hampshire and other states many CAAs use nearly 100 percent of the CSBG funds for administrative support of other social services programs for both public and private sources.
2. In California, one agency uses its CSBG funds (approximately \$325,000) for administrative support of some 30 other programs (all of which address the purposes of the CSBG Act). The small amount of CSBG funds supports an agency budget of over \$8,000,000.

Use of these funds, as indicated in the examples, is one of the most important aspects of the CSBG Program. Flexible use of funds and the ability of State and local agencies to use the funds to support and develop partnership between States, local and private agencies, and CAAs fulfill the intent of the CSBG Act.

- Inappropriate interpretation and application of A-122, Attachment A(4)(b), in a restrictive manner would be a mistake and prohibit CAAs from meeting the expressed requirements of the CSBG legislation. Attachment A states that any costs allocable to a particular award or other costs objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies.

The OCS position is that CSBG funds are not being used to overcome deficiencies in other programs but are being utilized to assist in providing better and expanded services through administrative support, e.g. personnel, office space, outreach, case management, referral, generation of additional resources and coordination of other services. Each of which is permitted under the legislation and is required to meet the intent of the CSBG Act.

- Many of the problems associated with the implementation of OMB Cost Principles and cost accounting issues would not exist if State and CAAs were to utilize indirect cost rates and an appropriate cost allocation plan. Indirect costs rates can be established by the Federal Agency with the largest amount of direct grant funds going to the CAA. CAAs Which do not have direct Federally funded programs should negotiate with their auditors And State Comptroller's Office to establish indirect cost rates for the CAA (refer to OCS Information Memo #20).