

**REPORT OF THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOLLOW-UP REVIEW OF
COMMUNITY ACTION IN VIRGINIA**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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Preface

Community action agencies (CAAs) provide programs which are designed to help low-income persons become self-sufficient. Community action is primarily federally funded and locally controlled. However, the Virginia Department of Social Services (DSS) is charged with overseeing community action agencies and distributing some State and federal funds to these agencies.

In 1989, JLARC conducted a review of the programs and activities of CAAs in Virginia. Although most CAAs were able to describe case examples of successful performance, system-wide deficiencies were identified in CAA accountability and in DSS' oversight of CAA activities.

Item 15C from the 1994 Appropriations Act requested that JLARC evaluate actions that the CAAs and DSS have taken in response to recommendations made in the 1989 JLARC report, particularly those concerning financial and program accountability and State oversight of CAA activities. This report addresses that request.

The current review found that progress has been made in implementing a number of recommendations from the previous report. For example, CAAs are better able to account for numbers of clients served in various programs and are complying with statutory requirements concerning board membership. Also, DSS is administering funds on a more systematic basis and has increased oversight capacity and activities relative to CAAs.

However, improvements are still needed. CAAs need to develop and use better program performance measures and strengthen client record management and reporting practices. In addition, some CAAs need to address internal financial control problems and better monitor their administrative costs. Further, DSS needs to streamline its on-site monitoring process, better document its monitoring activities, and more effectively use information it collects from CAAs and statewide programs. Recommendations in this report address these and other areas.

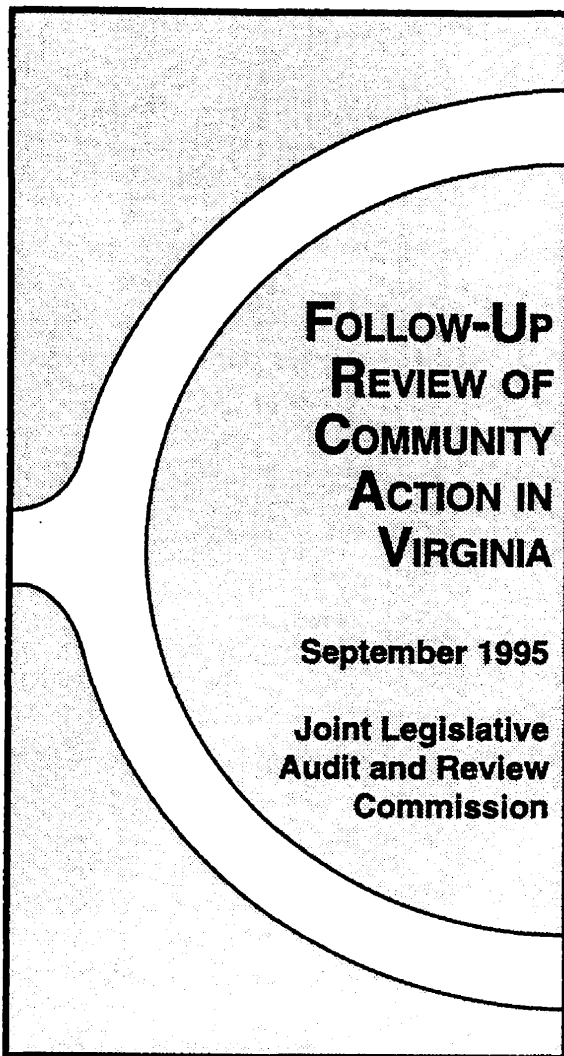
On behalf of the JLARC staff, I would like to thank the staff of the Department of Social Services, the 26 local community action agencies, and the statewide community action organizations for their cooperation and assistance during the course of this study.



Philip A. Leone
Director

September 26, 1995

JLARC Report Summary



Community action programs are designed to help low-income people become self-sufficient. Most community action programs are administered by community action agencies (CAAs). CAAs are locally operated agencies, which are either non-profit incorporated entities, agencies of local government, or quasi-public agencies. There are 26 local CAAs and three community action statewide organizations operating in Virginia.

CAAs have been providing services to the low-income population in the Commonwealth for nearly 30 years. During that time the mission of community action has not changed significantly. Continued emphasis has been placed on programs which "promote and support the development, coordination, and delivery of services and activities having a measurable and potentially major impact on the causes of poverty."

In 1989, JLARC conducted a review of the programs and activities of CAAs in Virginia. The study reported that the performance of CAAs was mixed. Although most CAAs were able to describe case examples of successful performance, system-wide deficiencies were identified in CAA accountability and in the Department of Social Services' oversight of CAA activities. Twenty recommendations were made for addressing specific problems at both the CAA and State levels.

In 1994, the General Assembly requested that JLARC evaluate actions that CAAs and the Department of Social Services (DSS) have taken in response to recommendations made in the previous report, particularly those concerning financial and program accountability of the CAAs and State oversight of CAA activities.

This follow-up review found that both funding and staffing of CAAs have increased appreciably since 1989. Over 500 full-time positions have been added to CAAs since the last JLARC report. In addition, total CAA funding increased substantially between fiscal year (FY) 1988 and FY 1994, due primarily to increases in federal and State program-designated funds. Federal and State Community Services Block Grant (CSBG) funding that is not program-designated has been relatively level over that period.

The review also found that progress has been made in implementing a number of recommendations made in the previous report. For example, CAAs are better able to account for numbers of clients served in various programs and are complying with statutory requirements concerning board membership. In addition, DSS is administering funds on a more systematic basis and has increased oversight capacity and activities relative to CAAs.

However, there is a substantial need for additional improvements. Specifically, CAAs need to develop and use better program performance measures and strengthen client record management and reporting practices. Further, some CAAs need to address internal financial control problems more proactively and better monitor their adminis-

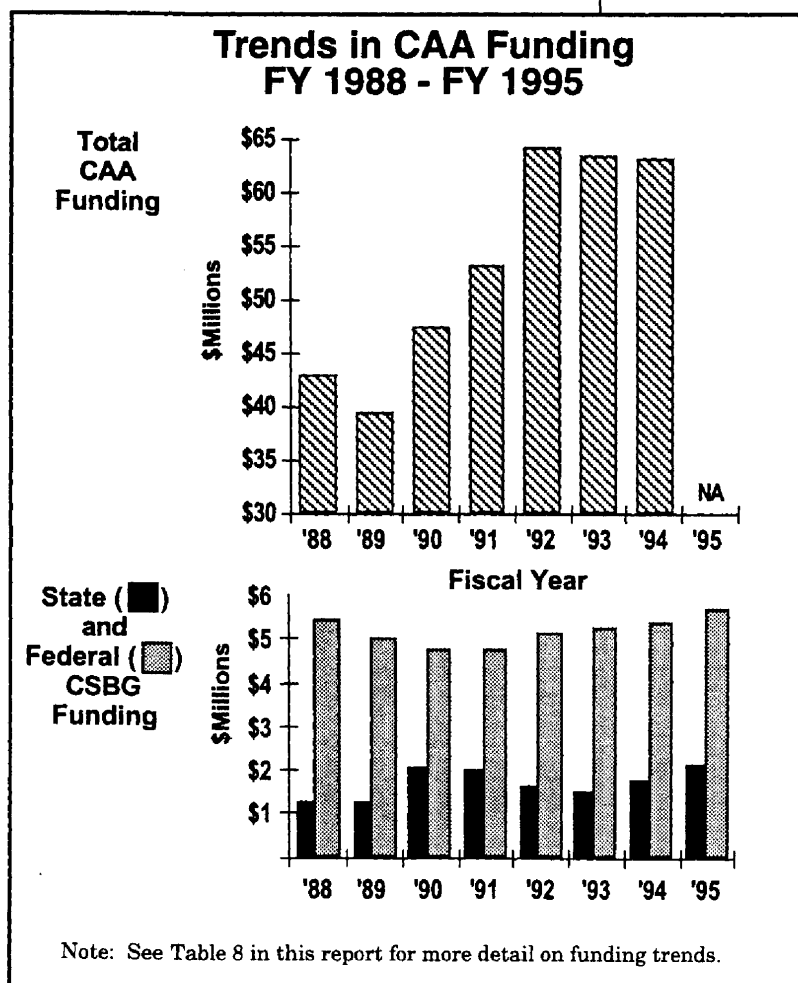
trative costs. In addition, DSS needs to streamline its on-site monitoring process, better document its monitoring activities, and more effectively use information it collects from community action agencies and statewide programs.

Performance Measures to Determine Program Effectiveness Are Lacking

To ensure adequate accountability for the programs they provide, CAAs should be able to demonstrate that they are successfully addressing the goals of the State CSBG program. The 1989 JLARC report found that the effectiveness of many CAA programs in achieving these goals could not be determined because much of the data necessary to indicate program performance were not available or were not of sufficient quality

to support adequate assessment. As in the 1989 study, the present study found that all CAAs can cite many individual cases where programs have been successful in achieving their objectives. However, CAAs remain unable to demonstrate achievement of long-term goals, such as decreasing the number of dependent persons in a given locality over time, on an agency- or system-wide basis.

Adequate performance assessment is not possible in large part because specific performance indicators have not been developed for many CAA programs. In addition, absence of client data and uneven record-keeping practices preclude a formal assessment of CAA performance. It is impossible



to support performance-based outcome measures without accurate, complete client information, such as income, education, and employment status. This information is necessary for CAAs to document that they are serving the appropriate target populations and that the services are meeting the objectives of the CAA system to reduce poverty and increase self-sufficiency.

CAAs need to work with the Office of Community Services (OCS) within the Department of Social Services to develop outcome-based indicators of program and agency performance. In addition, CAAs need to develop client record-keeping systems which will support accurate measurement of the identified performance indicators.

CAAs Differ Substantially Across Various Program Characteristics

In the absence of adequate outcome indicators to measure the performance of CAAs, JLARC staff relied on more general indicators of performance. In particular, the appropriateness of program offerings and general program-related considerations, such as the average cost per client and number of clients served, were examined. JLARC staff found that the programs and client bases served by CAAs generally appear appropriate and in compliance with federal and State law. As in the 1989 study, however, marked variability in some CAA operational areas was again observed. Two agencies — Sussex/Surry/Greenville and Skyline — exhibited potential limitations in several program characteristics, indicating the need for in-depth review of their operations by the Office of Community Services.

Financial Accountability Has Increased But Requires Further Attention

Overall funding for community action agencies and statewide organizations has increased from \$49 million in FY 1988 to

almost \$67 million in FY 1994. All CAAs and statewide programs showed gains in their funding over this time period. As funding to CAAs increases, the need for fiscal accountability becomes more imperative.

Due to a strengthening of reporting requirements by OCS, CAAs and statewide organizations are currently more accountable for their finances than they were in 1988. However, the need for additional improvements in financial accountability is clear. Many CAAs reported inconsistent financial information to OCS and JLARC staff. This brings into question the credibility of other financial information provided by the CAAs. In addition, while several CAAs have implemented cost-savings initiatives, they have not adequately attempted to monitor their administrative costs.

The need for improved financial accountability is also demonstrated by the fact that a few CAAs experienced serious financial problems during the last few years and were in jeopardy of losing their major funding sources. Further, a review of FY 1994 audits of CAAs indicated that some CAAs are currently having financial problems.

To successfully leverage funds from many sources, CAAs need to be financially accountable for the funds they receive. Therefore, CAAs need to improve their fiscal management and reporting practices, more effectively monitor their administrative costs, and use the technical assistance provided by OCS to better address financial problems that may arise.

OCS Needs to Operate More Efficiently and Effectively

The 1989 JLARC review indicated that OCS oversight of community action agencies was very limited. On-site monitoring with written feedback to the agencies was almost non-existent, and documents submitted by the CAAs received only a cursory review by OCS. The JLARC review indicated that it was essential for OCS to have

a clearly-defined oversight strategy to make the best use of its resources; and this oversight strategy needed to provide for a more objective and systematic approach.

With increased staffings since 1989, OCS has enhanced its capacity for, and involvement with, oversight activity. OCS has: (1) developed CSBG policy and procedures guidelines; (2) conducted regular reviews of CAA financial reports, funding applications, and contracts; (3) provided ongoing technical assistance to the community action agencies; (4) provided training for CAA board members; and (5) set up a framework for conducting formal on-site monitoring of CAA finances and programs. On-site monitoring activity also increased substantially in 1993 and 1994.

Although OCS has made progress, the need to develop an effective oversight strategy still exists. For example, OCS has not met its goal for on-site monitoring of CAAs, and few of the reviews it conducts are designed to assess program effectiveness. OCS visits primarily focus on conducting detailed financial monitoring or audit-type reviews of CAAs, and are largely duplicative of annually-required independent audits that are performed on CAA records. Further, the few program reviews conducted have not adequately evaluated CAA programs. OCS needs to shift its on-site monitoring focus from conducting detailed but unnecessary financial reviews to performing comprehensive reviews of CAA program effectiveness.

OCS also needs to better collect and use CAA financial and program information to enhance its ability to provide in-house oversight of the CAAs. Currently, CAAs do

not provide all the required information to OCS, and OCS staff do not sufficiently use most of the information that is submitted.

OCS staff should focus on on-site monitoring of CAA program effectiveness, in-house review and analysis of CAA financial and programmatic information, and provision of technical assistance. By reorganizing its priorities and staff assignments, OCS could operate more efficiently and effectively.

Future Funding Uncertain

Although total funding for CAAs has increased substantially in the last several years, CAAs' success in obtaining funding in the future is uncertain. Generally, CAAs rely on the federal CSBG and State general appropriation as core funding, using the funds to administer their agencies and to leverage other funds for operation of specific programs. However, these sources of funding are not guaranteed.

In particular, proposals to reduce the federal deficit by cutting social welfare programs at the federal level may potentially affect CAA operations. Initial budget proposals called for the reduction of federal CSBG funds, though both House and Senate budget resolutions have since expressed the intent to maintain the funds in the proposed federal budget. Federal-level negotiations and discussions are ongoing. With the increasing scrutiny of government programs and the uncertainty of federal funds, CAAs may face an increasing demand that they demonstrate their programs are significantly impacting poverty.

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I. Introduction

The Community Action Act (§§2.1-587 through 2.1-598 of the *Code of Virginia*) provides for community action programs and agencies in the State. The primary objective of community action is to assist low-income individuals to improve their quality of life and become self-sufficient.

In 1989, JLARC staff reviewed the programs and activities of community action agencies (CAAs) in Virginia. The study reported that the performance of CAAs was mixed. Although most CAAs were able to describe case examples of successful performance, system-wide deficiencies were identified in CAA accountability and in the Department of Social Services' oversight of CAA activities. Twenty recommendations were made for improving specific problems at both the CAA and State levels.

In 1994, Item 15C of the Appropriations Act directed JLARC to conduct a follow-up review of its 1989 findings concerning Virginia's CAA system. Specifically, JLARC was charged with evaluating actions that community action agencies and the Department of Social Services (DSS) have taken in response to recommendations made in the previous report, particularly those concerning financial and program accountability of the CAAs and State oversight of CAA activities.

This chapter provides an overview of Virginia's CAA system, including information on entities involved in the system, areas served, and funding levels. The information provides a background for JLARC's review of actions taken at the State and local level in response to recommendations in the 1989 report.

VIRGINIA'S COMMUNITY ACTION STRUCTURE

Community action programs, as required in statute, are directed at low-income people in each community. Federal and State statutes mandate some responsibilities and broad structural requirements with which community action organizations must comply. However, CAAs have substantial latitude in structuring themselves, designing local programs to address divergent local needs, and obtaining support. As a result, the Commonwealth's community action system involves a number of entities with varying organizational structures.

Currently, Virginia's community action system consists of 26 separate local community action agencies. In addition, there are four statewide programs with separate administrative and board structures. Many local CAAs offer these statewide programs and receive funding from them for staff and training. The Virginia Council Against Poverty (VACAP) is the association representing the community action agencies and statewide organizations. The Office of Community Services within the State Department of Social Services monitors community action agencies and programs from the State level. In addition, three other State agencies — the Department of Education,

the Department of Criminal Justice Services, and the Department of Housing and Community Development — provide substantial funding and oversight to community action statewide programs.

Community Action Agencies

There are currently 26 community action agencies in Virginia that serve approximately three-fourths of the Commonwealth (Figure 1). In 1989, there were 27 CAAs in Virginia. However, since that time the Danville Community Improvement Council has been eliminated and its service area merged with the previously existing Pittsylvania CAA. In addition, the Greene County CAA was eliminated and the Skyline CAA was created to serve the counties of Greene and Madison.

Community action is primarily federally funded and locally controlled. Generally, CAAs are autonomous and able to determine their own particular missions, programs, operational requirements, and funding strategies. As a result, there are substantial differences among CAAs in their program offerings, board and staff sizes, and funding levels. Most CAAs are private non-profit organizations. However, one CAA — Newport News Office of Human Affairs — is a quasi-public agency. Two other CAAs — Fairfax and Alexandria — are agencies of their local governments.

Board of Directors. The Community Action Act mandates that each CAA and statewide organization is to be governed by a board of directors. The composition of the board is mandated to be at least one-third representatives of the low-income, one-third public officials, and the remainder from major community groups such as business, civic, and religious groups. In the case of the two local government agencies, the boards are advisory only because the local governing bodies oversee these agencies. Community action boards range in size from 15 to 45 members.

Staffing. Each CAA has a director who is responsible for day-to-day agency operations. Additional administrative and direct service staffing is primarily influenced by funding levels and requirements of certain grants and contracts. Reflective of increased funding, over 500 full-time positions have been added to CAAs since the last JLARC report. In FY 1988, there were 1,146 full-time staff and 501 part-time staff working for CAAs. As of January 1, 1995, there were 1,659 full-time and 887 part-time staff working for CAAs. CAAs substantially augment paid staff with the use of volunteers. Agencies reported using more than 11,000 volunteers in FY 1994.

Clients. The Community Action Act identifies the low-income population as the group which CAAs are directed to serve. The Act defines low-income as families with income at 125 percent or less of the federal poverty income guideline. The current federal poverty guideline is \$15,150 for a family of four (Table 1). Therefore, any family of four in Virginia with an annual income at or below \$18,938 is considered low-income.

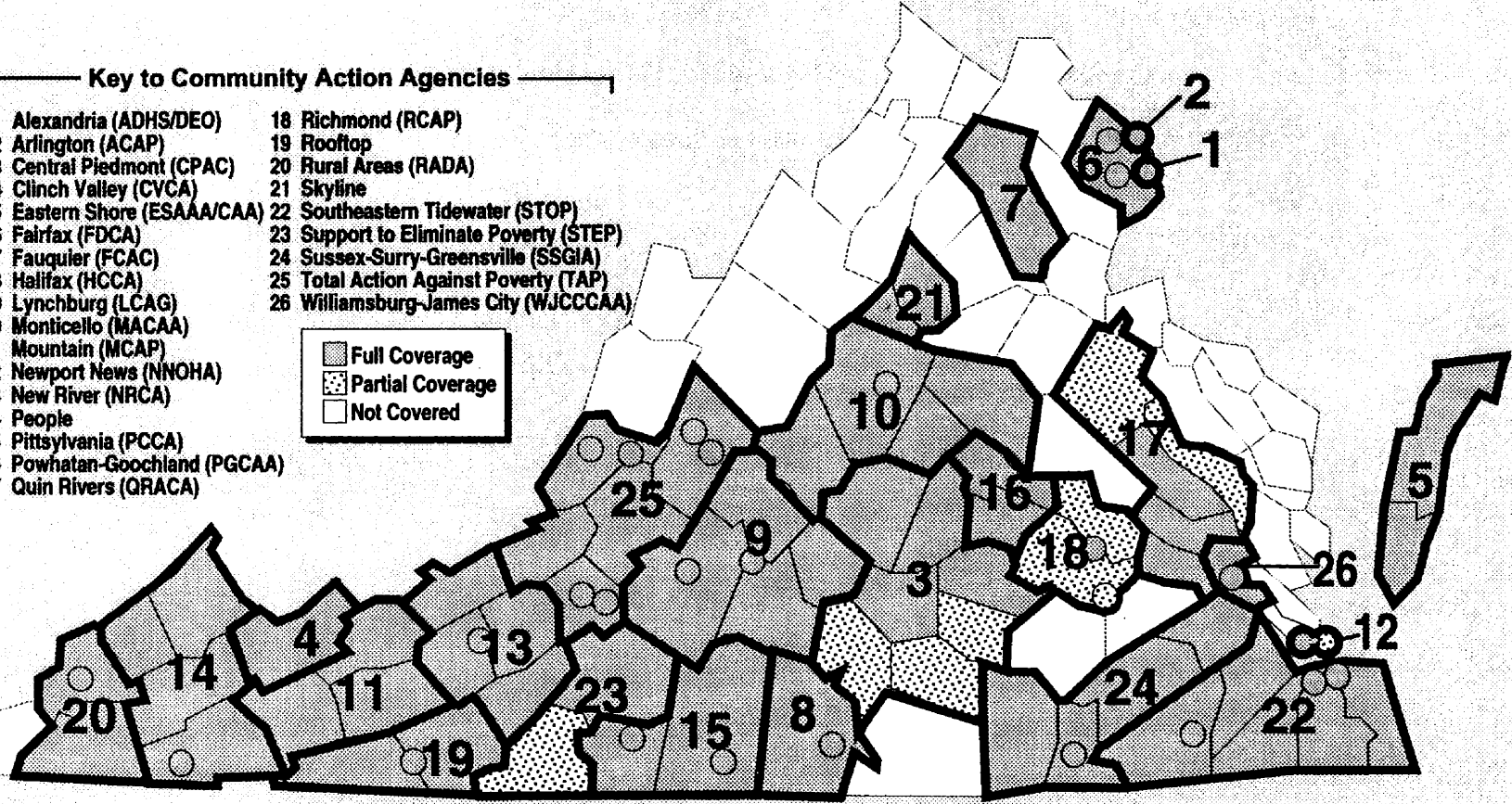
Figure 1

Community Action Agency Service Areas

Key to Community Action Agencies

- | | |
|-------------------------------|--|
| 1 Alexandria (ADHS/DEO) | 18 Richmond (RCAP) |
| 2 Arlington (ACAP) | 19 Rooftop |
| 3 Central Piedmont (CPAC) | 20 Rural Areas (RADA) |
| 4 Clinch Valley (CVCA) | 21 Skyline |
| 5 Eastern Shore (ESAAA/CAA) | 22 Southeastern Tidewater (STOP) |
| 6 Fairfax (FDCA) | 23 Support to Eliminate Poverty (STEP) |
| 7 Fauquier (FCAC) | 24 Sussex-Surry-Greensville (SSGIA) |
| 8 Halifax (HCCA) | 25 Total Action Against Poverty (TAP) |
| 9 Lynchburg (LCAG) | 26 Williamsburg-James City (WJCCCAA) |
| 10 Monticello (MACAA) | |
| 11 Mountain (MCAP) | |
| 12 Newport News (NNOHA) | |
| 13 New River (NRCA) | |
| 14 People | |
| 15 Pittsylvania (PCCA) | |
| 16 Powhatan-Goochland (PGCAA) | |
| 17 Quin Rivers (QRACA) | |

Full Coverage
 Partial Coverage
 Not Covered



Note: Both the Newport News Office on Human Affairs (12) and the Southeastern Tidewater Opportunity Project (22) provide partial community action services to the City of Hampton.
 Source: JLARC staff analysis of 1993 Virginia Council Against Poverty handbook, January 1995.

Table 1

Federal Poverty Income Guidelines for 1995

<u>Family Size</u>	<u>Federal Poverty Guideline</u>	<u>125 Percent of Federal Poverty Guideline</u>
1	\$ 7,470	\$ 9,338
2	10,030	12,538
3	12,590	15,738
4	15,150	18,938
5	17,710	22,138
6	20,270	25,338
7	22,830	28,538
8	25,390	31,738

Note: For family units with more than eight members, add \$2,560 for each additional family member to determine the federal poverty level and \$3,200 per member to determine 125 percent of the federal poverty level.

Source: *Federal Register*, Volume 60, Number 27, February 9, 1995.

Programs. Community action agencies and statewide organizations reported serving almost 150,000 clients in 145 different programs in FY 1994. In general, CAA programs can be categorized into 13 major program areas:

- community and economic development
- community organization
- education
- elderly services
- emergency services
- employment
- energy
- ex-offender services
- health
- housing
- nutrition
- transportation
- water/wastewater

Examples of programs and services provided include Head Start, job training, congregate meals for the elderly, and emergency home repair. CAAs provide services in some or all of the program areas according to local need. Therefore, the number and types of services provided by CAAs in Virginia vary.

Funding. Community action programs receive funding from several different sources, including the federal government, State government, local governments, and private entities. In FY 1988, community action in Virginia received total funding of more than \$49 million. In FY 1994, community action funding had risen to almost \$67 million.

Both figures include funds to CAAs and statewide programs. Of this amount, approximately \$5.4 million was federal community services block grant (CSBG) funds and \$1.75 million was State general funds.

Statewide Community Action Programs

As defined in the *Code of Virginia*, statewide community action organizations are community action programs that are provided on a statewide basis. The organizations are formed to address needs which exist throughout the Commonwealth. They are independent agencies, each with its own board of directors and central office. The *Code of Virginia* dictates the composition of the statewide organizations' boards.

The statewide programs contract with local CAAs and other private non-profit entities for the direct delivery of services. The statewide organizations are responsible for providing technical assistance and training to the contracted local agencies and for providing at least partial funding of the program cost. In addition, they monitor the local agencies' service delivery and fiscal operations related to the statewide program.

Currently there are three statewide community action organizations — Project Discovery, the Virginia Community Action Re-entry System (Virginia CARES), and the Virginia Water Project. A community action program recently established statewide — the Comprehensive Health Investment Project (CHIP) of Virginia — is not technically a statewide community action organization due to its board structure. However, CHIP of Virginia is discussed in this section, because other than board structure, it shares many of the features of a statewide community action organization.

The Virginia Weatherization Program, which was operated by a statewide organization during the 1989 JLARC review, is no longer part of the statewide organization. When the Virginia Association of Community Action Agencies — which administered the program — disbanded in 1992, administration for the program was transferred to the State Department of Housing and Community Development. The program is still provided by 16 CAAs and eight other non-profit entities. The purpose of this program is to increase the energy efficiency of homes owned or occupied by low-income people, reduce their total residential energy costs, and improve their health and safety.

Project Discovery. Project Discovery is designed to enhance the access of low-income and potential first-generation college students in grades six through 12 to post-secondary education. Program participants receive assistance with developing study skills, applying to colleges, seeking financial aid, and goal setting. In FY 1994, Project Discovery served more than 2,300 students through programs in 18 CAAs. Of participating seniors graduating from high school in FY 1994, approximately 80 percent enrolled in college, with the remaining seniors entering the military, vocational school, or the work force. In addition to current participants, Project Discovery staff followed up periodically with 644 former Project Discovery participants who are still in school and 697 former participants who graduated from high school within the past two years.

Funding for the program is made available primarily through the Virginia Department of Education. Project Discovery is administered through a central office staff of six, which oversees the 18 local programs.

Virginia CARES. The purpose of the Virginia CARES program is to help ex-offenders in the transition from incarceration to life outside of prison and in this way reduce recidivism. A network of ten CAAs and two additional satellite offices provides pre-release workshops in 32 State correctional institutions and post-release services in 27 communities. Pre-release workshops assist prisoners to realistically confront readjustments needed to return to the community, focus on employment readiness, set goals, and deal with family or substance abuse problems. Post-release services include emergency housing, food, clothing, transportation, and job referrals. Virginia CARES served over 2,900 current and former prisoners in FY 1994. An additional 742 family members were also served. Virginia CARES is largely funded through the Department of Criminal Justice Services. The program's central office operates with a staff of six, which is responsible for funding and monitoring the individual programs throughout the State.

Virginia Water Project. The Virginia Water Project works with community action agencies, other community-based organizations, and local government officials to address the water and wastewater needs of rural Virginians. The program addresses these needs by providing financial assistance, training, and technical assistance. In FY 1994, 44 projects were initiated and 37 were completed. The Virginia Water Project has a number of funding sources, including the Department of Housing and Community Development, the U.S. Department of Health and Human Services, and the Ford Foundation. The program is supported with a central office staff of 20, which is responsible for selecting projects, conducting studies of the proposed sites, providing some of the projects' funding, and monitoring the progress of the projects.

Comprehensive Health Investment Project (CHIP) of Virginia. Incorporated in 1992 and established as a separate statewide program in the fall of 1994, CHIP of Virginia seeks to improve the health status of low-income children and to increase the ability of their families to move toward self-sufficiency. CHIP of Virginia links CAAs, local health departments, and private dental and medical providers to provide comprehensive community-based, prevention-oriented health care for low-income children from birth to six years old and family support services to their families. The CHIP network currently serves 3,181 children and 1,744 families in 25 localities in Virginia.

CHIP of Virginia is different from the other statewide organizations in that its board does not currently meet the requirements for a statewide community action organization. Therefore, CHIP of Virginia is not eligible for CSBG funds. As such, there is no State oversight through the Office of Community Services. CHIP of Virginia is administered by a staff of ten, which provides technical assistance to the ten local CHIP sites and training for staff and parents through statewide and regional training events and its family support certification program.

Virginia Council Against Poverty

The Virginia Council Against Poverty (VACAP) serves as the association for the 26 community action agencies and the four statewide community action programs in Virginia. VACAP takes the place of the former Virginia Association of Community Action Agencies (VACAA). One of VACAA's major roles was overseeing the Virginia Weatherization Program. VACAA was reorganized into VACAP in 1992, and responsibility for the Virginia Weatherization Program was transferred to the Department of Housing and Community Development.

VACAP defines its mission to be to increase awareness about poverty in Virginia and to promote comprehensive approaches at the local level to eliminate poverty. VACAP member agencies meet as a group four times a year to develop and implement policies and to discuss problems and find solutions relative to CAA operations. VACAP is staffed by a full-time executive director and one administrative assistant. The organization is supported by dues paid by the CAAs based on their CSBG funding plus a set amount based on the size of the agency. According to VACAP staff, dues range from about \$1,900 per year to about \$7,600.

Office of Community Services

The Secretary of Health and Human Resources designated the Department of Social Services (DSS) to administer the Virginia Community Action Act, which was enacted in 1982. DSS established the Office of Community Services (OCS) for the purpose of administering the Act.

The Community Action Act outlines the major responsibilities of the Office of Community Services (Exhibit 1). Additional responsibilities include oversight and monitoring of CAAs, and distribution of certain federal and State funds. Some of the additional funds OCS distributes include McKinney Homeless funds and Community Food and Nutrition funds. In FY 1995, \$310,339 in McKinney Homeless funds were distributed to 21 CAAs, and \$81,175 in Community Food and Nutrition funds were distributed to six agencies.

OCS also administers the Neighborhood Assistance Program. OCS receives only a small State appropriation to cover administrative costs for this program. However, the program is currently managed by one full-time position.

The Neighborhood Assistance Program was created by the 1981 General Assembly to encourage private sector involvement in the alleviation of poverty in Virginia. The program is designed to authorize tax credits to businesses in exchange for donations to private non-profit organizations. Non-profit organizations apply to OCS to receive tax credits. In turn, the organizations offer these tax credits as incentives to private businesses or individuals to provide donations. In FY 1994, 255 non-profit organizations were allocated \$5.25 million in tax credits, which they provided to 2,010 private entities in exchange for donations.

Exhibit 1**Statutory Responsibilities of the
Office of Community Services for Administering
the Virginia Community Action Act**

1. Coordinate State activities designed to reduce poverty.
2. Cooperate with agencies of the Commonwealth and the federal government in reducing poverty and implementing community, social and economic programs.
3. Receive and expend funds for any purpose authorized by the Community Action Act.
4. Enter into contracts with and award grants to public and private non-profit agencies and organizations.
5. Develop a State plan based on needs identified by community action agencies and community action statewide organizations.
6. Fund community action agencies and community action statewide organizations and promulgate rules and regulations.
7. Provide assistance to local governments or private organizations for the purpose of establishing and operating a community action agency.
8. Provide technical assistance to community action agencies to improve program planning, program development, and the administration and mobilization of public and private resources.
9. Require community action agencies and community action statewide organizations to generate local contributions of cash or in-kind services as the agency may establish by regulation.
10. Convene public meetings which provide citizens the opportunity to comment on public policies and programs to reduce poverty.
11. Advise the Governor and the General Assembly of the nature and extent of poverty in the Commonwealth and make recommendations concerning changes in State and federal policies and programs.
12. Administer a community action budget and promulgate rules and regulations detailing the formula for the distribution of community action program budget funds.

Source: JLARC analysis of §2.1-587 et seq. of the *Code of Virginia*.

OCS is currently staffed with five full-time employees and two part-time (P-14) employees. The full-time employees include an office director, an external auditor/financial monitor, a program monitor, a neighborhood assistance program manager, and a program supervisor. In 1989, the office was staffed with only a director and a clerical position.

As with staffing, OCS funding has increased since 1989 (Table 2). In FY 1988, OCS received \$114,071. OCS staff reported that data for fiscal years 1989 to 1991 were not automated and therefore were not readily available. Funding amounts in each of the four fiscal years from FY 1992 to FY 1995 were approximately three times the amount of funding in FY 1988.

Table 2

**Office of Community Services Funding
FY 1988 to FY 1995**

<u>Fiscal Year</u>	<u>Federal CSBG Funds</u>	<u>State CSBG Funds</u>	<u>Neighborhood Assistance</u>	<u>Total OCS Funding</u>
1988	n/a	n/a	n/a	\$114,071
1989-91	n/a	n/a	n/a	n/a
1992	\$240,579	\$62,639	\$1,746	304,964
1993	253,981	36,826	1,746	292,553
1994	306,870	38,208	1,727	346,805
1995	305,907	36,280	1,727	343,914

n/a = Funding information not available.

Source: Office of Community Services, April 1995.

1989 JLARC REVIEW OF COMMUNITY ACTION

The 1989 JLARC review of community action found that although each CAA could describe case examples of successful program performance, a system-wide assessment showed that CAA performance was mixed. The report also found that OCS oversight of CAAs was minimal.

The 1989 JLARC study contained 20 recommendations for improving State-level oversight and CAA operations to ensure necessary accountability associated with expenditures of public funds. Many of the recommendations were directed at actions that should be undertaken by OCS. For example, JLARC staff recommended that OCS increase its monitoring of CAAs by developing formal procedures for evaluating CAA operations and financial management on a systematic basis.

Actions have since been taken by CAAs and OCS to correct some of the problems cited in the 1989 report. However, additional actions are necessary to ensure CAA accountability and to streamline OCS oversight of CAAs.

1989 Study Findings

The 1989 study found that program effort and performance across CAAs varied tremendously. Not all CAAs performed equally well. Extreme differences existed in the number and types of programs offered, the success of those programs, the number of clients served, the average cost per client, and the amount of local cash support provided.

Further, problems existed with certain CAA programs and procedures that made accountability difficult. For example, some CAAs operated programs without eligibility requirements. Many of the CAAs used records management practices which inhibited their ability to accurately report program activities or determine numbers and types of clients served. Also, client files often did not contain documentation of clients' eligibility for services or were non-existent.

In addition, State-level monitoring of CAA board membership, client tracking mechanisms, fiscal reporting, and organizational viability were found to be deficient. OCS was found to collect limited financial information from CAAs, hindering its ability to adequately monitor financial practices. Further, program oversight of CAAs was minimal. Most CAAs had not received on-site monitoring from OCS for well over two years, and the monitoring that was performed was not coordinated with other State agencies having oversight responsibilities for selected community action programs.

Actions Taken Subsequent to the 1989 Review

Follow-up of the 1989 study recommendations revealed that some corrective action has been taken to alleviate problems with State oversight of CAAs and CAA accountability. For example, OCS has increased the frequency and level of its monitoring of CAAs. It also assisted in closing two organizationally unviable CAAs. Further, the State has begun to revise the formula for distributing CSBG funds to make it more equitable.

Community action agencies have also taken steps to improve their accountability. Some CAAs have computerized their client files to allow for tracking the unduplicated number of clients served and the types of service provided to each client. A number of CAAs have developed sliding scale fees for service to non low-income clients. Further, the statewide association has reduced the number of conferences it holds each year from five to four, resulting in cost savings to the CAAs.

These changes have corrected some problems noted in the 1989 report. However, as indicated by both Exhibit 2 and the following chapters of this report, additional actions are still necessary to ensure adequate fiscal and program accountability both at the State and local levels.

Exhibit 2

Status of Recommendations from the 1989 JLARC Review of Community Action Agencies

Key: ✓ Significant Progress ▶ Some Progress ✕ No Progress		
1989 Recommendations	Progress Since 1989	Further Corrective Action Needed
1. DSS should examine and revise the formula for distributing Community Services Block Grant (CSBG) funds to CAAs.	▶	Yes
2. DSS should follow the intent of the Virginia Public Procurement Act when developing requests for proposals.	✓	No
3. Department of Education (DOE) should work with Project Discovery to design and implement an equitable funding formula.	✓	No
4. OCS should distribute all State and federal funds it administers using the State fiscal year.	✓	No
5. DSS should develop a format for submission of comprehensive financial information on a regular basis by the CAAs. This information should be used in OCS' oversight role.	▶	Yes
6. DSS should define administrative costs for CAAs, establish a target for these costs, and monitor CAAs' administrative expenses.	✕	Yes
7. OCS should develop formal procedures for evaluating CAA operations and financial management on a systematic basis.	▶	Yes
8. DSS should receive copies of all community action monitoring reports from other State agencies and submit a biennial report to the Secretary of Health and Human Resources on the status of community action programs.	✕	Yes
9. DSS should assist CAAs in the development of procedures addressing services to non low-income clients. Sliding scale fees should be used for non low-income clients when possible.	▶	Yes

(Continues)

Exhibit 2 (continued)

Key: ✓ Significant Progress ◐ Some Progress ✗ No Progress		
1989 Recommendations	Progress Since 1989	Further Corrective Action Needed
10. DSS should develop a uniform policy for provision of CAA services to non-Virginia residents.	✓	No
11. & 12. Records management practices at CAAs should be developed to: permit counting unduplicated numbers of clients served; identify the types of services provided to each client, the date services were provided, and the number of services provided for each client during a fiscal year; and verify client eligibility for services. DSS should monitor CAA compliance with record management practices.	◐	Yes
13. OCS should work closely with two CAAs to determine if consolidation with other CAAs is warranted. OCS should regularly examine the organizational viability of all CAAs.	✓	Yes
14. The <i>Code of Virginia</i> should be amended to conform membership requirements of community action statewide organization boards to that of CAA boards.	✓	No
15. & 17. Relative to CAA boards, DSS should monitor representativeness of local boards for conformance with statutory requirements; assess and monitor CAA board training; and assist in developing training programs.	✓	Yes
16. The <i>Code of Virginia</i> should be amended so that it parallels federal statutes regarding membership of public officials on CAA boards.	✓	No
18. VACAA should decrease the number of CAA conferences held each year.	✓	No
19. DSS should request statewide and local CAAs to undertake cost-savings assessments and should monitor CAA activity regarding cost-savings assessments.	◐	Yes
20. The Secretary of Health and Human Resources should assess the feasibility of requiring a 20 percent funding match for future State appropriations.	✓	No
Source: JLARC staff analysis.		

1995 JLARC REVIEW

Item 15C of the 1994 Appropriations Act directed JLARC to conduct a follow-up study of its 1989 review of community action agencies in the State. The study mandate requests JLARC to focus its review primarily on actions taken in response to the 1989 recommendations concerning: (1) State oversight of CAAs; and (2) financial and program accountability of the CAAs.

Study Activities

Several research activities were undertaken to collect and analyze data for this study. Information was collected through OCS and agency document reviews; structured interviews with both State and local level staff; a mail survey of all local CAAs in Virginia; and site visits to selected CAAs throughout the State.

Document Reviews. JLARC staff conducted extensive document reviews to track progress at both the State and local levels in implementing the recommendations made in the previous report. Detailed reviews were made of programmatic and financial documents related to community action programs. For example, federal and State regulations pertaining to community action and the CSBG program were reviewed. Community action agency files maintained by OCS, which include CAA by-laws, planning documents, and board minutes were also examined. In addition to these documents, CSBG applications and quarterly reports submitted by the CAAs were reviewed, as were OCS monitoring reports on CAAs and other documents.

Structured Interviews. JLARC staff conducted structured interviews with OCS staff as well as staff in the State agencies which oversee the community action statewide programs — the Department of Education, which oversees Project Discovery; the Department of Criminal Justice Services, which oversees Virginia CARES; and the Department of Housing and Community Development, which monitors Virginia Water Project. All full-time staff in OCS were interviewed during the course of this study. In addition, the executive director of VACAP was interviewed to obtain information on the activities of the CAA association. Also, federal Office of Community Services staff were interviewed concerning CSBG regulations and monitoring of Virginia's system by the federal office. Finally, telephone interviews were conducted with the executive directors of the Virginia CARES and CHIP statewide programs.

Mail Survey of CAAs. A three-part mail survey requesting financial, programmatic, and organizational information was sent to each CAA. The mail survey enabled JLARC staff to collect basic descriptive information about CAA programs and funding. In addition, specific information was sought regarding CAA compliance with recommendations made in the previous report concerning client tracking, record-keeping practices, and determining eligibility for services. Further, information obtained from the survey was used to determine the performance measures used by CAAs to assess their programs.

Site Visits to Selected CAAs Throughout the State. Site visits were conducted at eight CAAs to gauge agency compliance with recommendations made in the 1989 report. Agencies in diverse demographic settings and serving various numbers of clients were selected to provide the study team with a range of assessment sites. Structured interviews and client file reviews were conducted during site visits. Information collected from the mail survey was also verified through these reviews. In addition, the site visits enabled JLARC staff to evaluate in selected agencies the adequacy of record management procedures and client tracking mechanisms implemented since 1989. On-site structured interviews were also conducted with staff of Project Discovery and the Virginia Water Project.

Report Organization

This chapter has provided an overview of the Commonwealth's community action system. Chapter II examines the extent to which CAAs have implemented recommendations made in the 1989 JLARC report to ensure fiscal and program accountability. Chapter III examines the extent to which OCS has implemented recommendations made in the previous report to ensure adequate and appropriate oversight of CAA fiscal, organizational, and programmatic activities.

II. Community Action Operations

The Virginia Community Action Act allows community action agencies (CAAs) the flexibility to plan and implement programs and objectives according to the needs of their service areas. The legislative intent to allow local flexibility in implementing services for the poor is balanced by the expectation that CAAs plan, coordinate, evaluate, and administer all programs and finances appropriately. Inadequate program or fiscal accountability weakens CAA effectiveness and undermines accountability at the State level.

The 1989 JLARC review of community action in Virginia identified both strengths and weaknesses in CAA operations. This chapter reviews progress made at the CAA level in implementing previous recommendations in three areas: program accountability, fiscal accountability, and board structure.

Program accountability has improved somewhat since 1989. The services provided by CAAs remain in compliance with CSBG regulations, and many CAAs have better record-keeping practices. However, the CAAs have yet to develop adequate performance measures for determining CAA program effectiveness. Further, some CAAs have particularly high average costs incurred per client, and some CAAs provide a limited range of services.

Financial accountability has also improved, but needs to be addressed further. CAAs are now required to submit more comprehensive information more frequently to OCS than in 1989. However, CAAs need to improve the accuracy of the information provided. Also, the CAAs need to strengthen their cost-savings assessments and improve their monitoring of administrative costs.

Analysis of board membership revealed that many of the recommendations made in the 1989 report have been implemented. Consequently, representation of low-income and private-sector individuals on CAA boards and on community action statewide organizations has been strengthened, and increased training is provided to board members. However, board member participation appears to be problematic at some CAAs, and the reporting of board minutes to OCS needs to be improved.

PROGRAM ACCOUNTABILITY

CAAs have been providing services to the low-income population in the State for nearly 30 years. During that time the mission of community action has not changed significantly. Continued emphasis has been placed on programs which "promote and support the development, coordination, and delivery of services and activities having a measurable and potentially major impact on the causes of poverty."

There is no standardized set of programs provided by each CAA. Instead, each agency is encouraged to determine which programs to offer based on: (1) the needs identified within the service area, and (2) stated agency objectives. Programs may be varied and innovative as long as they meet all requirements of the Community Services Block Grant (CSBG) Act.

Although all CAAs can demonstrate specific examples of how their services have improved the lives and living conditions of individuals, measuring system-wide success in reducing poverty in the State has proven more difficult. Based on findings from the present study, difficulty in measuring system-wide impact on poverty can be attributed to the fact that: (1) adequate performance measures have not been developed to measure attainment of CAA goals, and (2) client record-keeping practices at some CAAs would not provide accurate or reliable information on clients or the impact of CAA services or programs.

To assess CAA performance, therefore, JLARC staff relied on more general indicators of performance. In particular, the appropriateness of program offerings and general program-related considerations, such as the average cost per client, were examined. JLARC staff found that the programs and client bases served by CAAs generally appear appropriate and in compliance with federal and State law. However, as in the 1989 study, marked variability in some CAA operational areas was again observed, and agencies showing multiple limitations need to be monitored carefully.

CAAs Provide Services in Wide Variety of Program Areas

Community action agencies in Virginia offer a wide variety of programs throughout the State. In FY 1994, CAAs served almost 150,000 clients through more than 140 different programs. CAAs estimate that, on average, each client participated in at least two different agency programs in FY 1994.

The federal Community Services Block Grant Act, as amended in 1994, specifies that community action programs should be designed to assist low-income participants to:

- secure and maintain meaningful employment,
- attain an adequate education,
- make better use of available income,
- obtain and maintain adequate housing and a suitable living environment,
- obtain emergency assistance,
- remove obstacles and solve problems which block the achievement of self-sufficiency, and
- achieve greater participation in the affairs of the community.

Community action agencies strive to accomplish these objectives by providing diverse, comprehensive services to meet the needs of individuals living in poverty.

In general, CAA programs can be categorized into 13 major program areas:

- community and economic development
- community organization
- education
- elderly services
- emergency services
- employment
- energy
- ex-offender services
- health
- housing
- nutrition
- transportation
- water/wastewater

Each CAA selects program components from among these 13 program categories that it believes best meet the needs of the low-income population in its service area. Each agency's board of directors, which is representative of elected officials, low-income persons, and other citizens in the community, determines the range and mix of services to be provided in each locality.

Although CAAs are involved in a variety of programs, in many cases the agencies may not directly deliver services. CAAs may contract with other organizations to provide programs, but still retain oversight and monitoring responsibilities. In addition, some CAAs provide support services such as clerical support, office space, and volunteer coordination with other organizations.

Table 3 summarizes the current program areas offered by each CAA. CAAs are credited with providing a service within a program area if they: (1) provided the service directly, or (2) provided more than 50 percent of a program's funding to another organization. Descriptions of each broad program area are provided below.

Community and Economic Development. Thirteen CAAs provide community and economic development programs. The programs are designed to assist the expansion of the low-income community's economic base. Programs that are offered in this category include a farmer's market, a cannery, a credit union, and an arts and crafts shop.

Community Organization. Twenty-one agencies provide the two major types of programs in this category: support and organization of community groups; and outreach, referral, and information. Support and organization of community groups involve activities such as attending group meetings, providing clerical support, and notifying groups of local government activities. Outreach activities generally involve

Table 3
Programs Offered by
Community Action Agencies in Virginia,
FY 1994

Community Action Agency		Community and Economic Development	Community Organization	Education	Elderly Services	Emergency Services	Employment	Energy	Ex-offender Services	Health	Housing	Nutrition	Transportation	Water/Wastewater
1	Alexandria (ADHS/DEO)		●	●		●		●	●		●		●	
2	Arlington (ACAP)		●	●	●	●	●	●			●	●	●	
3	Central Piedmont (CPAC)		●	●	●	●	●	●	●	●	●	●	●	●
4	Glitch Valley (GVCA)		●	●	●	●	●	●	●	●	●	●	●	●
5	Eastern Shore (ESAAA/CAA)	●	●	●	●	●	●			●	●		●	●
6	Fairfax (FDCA)	●	●	●	●	●	●			●	●	●		
7	Fauquier (FCAC)			●	●	●		●			●	●		●
8	Halifax (HCCA)	●	●	●		●				●	●	●		●
9	Lynchburg (LCAG)	●	●	●	●	●	●	●			●			
10	Monticello (MACAA)	●	●	●		●	●	●	●	●	●	●	●	●
11	Mountain (MCAP)		●	●	●	●	●	●	●	●	●	●	●	●
12	Newport News (NNOHA)	●	●	●	●	●	●		●		●	●	●	
13	New River (NRCA)	●	●	●	●	●	●	●	●	●	●	●	●	●
14	People	●		●	●	●	●	●	●	●	●	●	●	●
15	Pittsylvania (PCCA)			●	●	●	●	●			●	●	●	●
16	Powhatan-Goochland (PGCAA)		●	●	●	●	●		●		●	●	●	●
17	Quin Rivers (QRACA)	●	●	●	●	●	●	●			●	●	●	●
18	Richmond (RCAP)		●	●	●	●	●		●	●	●	●	●	
19	Rooftop	●	●	●	●	●	●	●	●	●	●	●	●	●
20	Rural Areas (RADA)				●	●		●		●	●	●		●
21	Skyline	●	●	●		●					●			●
22	Southeastern Tidewater (STOP)		●	●	●	●	●	●			●	●		●
23	Support to Eliminate Poverty (STEP)		●	●							●			
24	Sussex-Surry-Greenville (SSGIA)	●		●		●	●		●		●			
25	Total Action Against Poverty (TAP)	●	●	●		●	●	●	●	●	●	●	●	●
26	Williamsburg-James City (WJCCAA)		●	●	●	●	●	●		●	●	●	●	

Source: JLRARC Survey of Community Action Agencies, March 1995.

CAA staff traveling to targeted areas to identify potential clients and linking them with available services. Although 21 agencies provide this service, they vary widely in the types and intensity of programs offered under this category.

Education. Twenty-five CAAs reported offering educational services. Education programs provided by the CAAs include Head Start, day care, Adult Basic Education/General Education Diploma (ABE/GED), Project Discovery, and youth education.

Elderly Services. Nineteen CAAs offer elderly services. Examples of services provided to the elderly include transportation, congregate and home meals, senior centers, convalescent homes, reassurance telephone calling chains, workshops on home safety, dead bolt lock installation, health workshops and screenings, home care programs, and senior volunteer programs.

Emergency Services. Emergency services are offered by 25 CAAs, and include clothes closets, food pantries, medical assistance, donated furniture, fuel and equipment for home heating, eviction intervention, utility shut-off prevention, Energy Share, soup kitchens, and emergency shelters.

Employment. Twenty CAAs reported offering employment services. The Job Training Partnership Act (JTPA) and the Summer Youth Employment and Training Program (SYETP) are two of the major federal initiatives in this category. Other programs offered include non-JTPA job placement programs or programs such as workshops on career goals, job seeking, and interview skills.

Energy. Programs in this category are offered by 17 of the 26 CAAs. These programs are generally designed to provide needed work and materials for improving clients' homes in order to: (1) reduce fuel costs, and (2) provide a safer and more comfortable environment. The primary program in this area is the Virginia Weatherization Program, which involves installation of storm windows, insulation, weather-stripping, door frames, roof caps or vents, water heater jackets, and caulking.

Ex-offender Services. The primary program offered by the CAAs in this category is Virginia CARES, which provides both pre-release and post-release services to convicted offenders. Fifteen CAAs reported offering offender services that enable these individuals to perform community service, learn job skills, obtain additional information, or be linked to supportive resources in the community.

Health. Programs in this category include health education, routine health care assistance, infant development, spouse abuse prevention, teen pregnancy prevention, substance abuse counseling, AIDS awareness, exercise groups, and healthy mothers and babies. Fourteen CAAs provide health programs.

Housing. All 26 CAAs in the State provide housing services. Programs in this category are designed to help the low-income population obtain low cost housing or improve the condition of the housing they currently occupy. These programs include non-

emergency rental assistance, counseling, home repair and rehabilitation, and home building.

Nutrition. Nutrition programs are intended to increase the quantity and quality of food available to low-income people. These programs include the Federal Commodities Distribution Program, holiday baskets, workshops and gardening, food preservation, food banks, the federal Summer Feeding Program for low-income children, the federal Child Care providers program, and the Self-Help and Resource Exchange (SHARE), a cooperative food purchasing program. Twenty CAAs provide nutrition programs.

Transportation. Seventeen CAAs provide transportation services. These programs are designed to facilitate the movement of low-income people to increase their accessibility to jobs, goods, and services.

Water/Wastewater. CAAs perform activities such as conducting needs assessments for the Virginia Water Project, aiding qualified communities in applying for grants available through the Virginia Water Project, and helping generate supplemental resources for families qualifying for individual Virginia Water Project grants. Seventeen CAAs offer water/wastewater services.

Performance Measures Need to Be Used to Determine Program Effectiveness

To ensure adequate accountability for the programs they provide, CAAs should be able to demonstrate that they are successfully addressing the goals of the State Community Services Block Grant program. These goals are:

- to promote and support the development, coordination, and delivery of services having a measurable and potentially major impact on the causes of poverty and to enhance the potential for self-sufficiency and the reduction of poverty;
- to develop, promote, and support preventive programs and activities designed to assist citizens on the brink of poverty to remain self-sufficient; and
- to increase public awareness of the causes, nature, and extent of poverty and to provide mechanisms to make recommendations on public policies affecting low-income individuals.

The 1989 JLARC report found that the effectiveness of many CAA programs in achieving these goals could not be determined because much of the data necessary to indicate program performance was not available or was not of sufficient quality to support adequate assessment. In addition, with the exception of a few programs, performance measures had not been developed for most programs provided by CAAs in 1989.

As in the 1989 study, the present study found that all CAAs can cite many individual cases where programs have been successful in achieving their objectives; however, they remain unable to demonstrate achievement of long-term goals — such as decreasing the number of dependent persons in a given locality over time — on an agency- or system-wide basis. Adequate performance assessment is not possible in large part because specific performance indicators have not been developed for many CAA programs and services. In addition, absence of client data and uneven record-keeping practices precluded formal assessment of CAA performance. As will be addressed in the next section, client records and follow-up information need to be improved before program performance can be adequately assessed in the CAA system. This issue is important; therefore, measures currently used by CAAs to determine program performance were examined in greater detail.

On the recent survey of CAAs, JLARC staff asked CAAs to identify all performance measures used to assess their programs. CAAs generally provided three types of responses:

- (1) no performance measures identified;
- (2) performance measures that address activity level, or “inputs,” such as the number of clients served; and
- (3) performance measures that address performance in terms of meeting a specific goal or accomplishing a program objective.

An example of a performance measure that fits into the third category would be the number of times a family successfully paid all monthly bills in the year following debt management training compared to the year prior to training. This type of performance indicator would show evidence of the results of the service provided by the CAA.

For one-third of the program areas in which the CAAs reported providing services, no performance measures were identified at all. CAAs reported performance measures for the remaining program areas; however, most were simply measures of program activity. For example, for nutrition programs, a common measure reported was the number of meals served. This measure identifies the level of activity of the program, but does not measure any program outcome. It does not indicate whether the program is meeting client needs and reducing malnutrition. Exhibit 3 identifies some of the performance measures reported by CAAs and illustrates the frequent use of activity measures rather than outcome-based measures of performance in various program areas. In general, it appears that performance measures are least developed for programs initiated by only one or a few CAAs rather than programs which are typically offered by many CAAs.

In contrast, CAAs consistently reported outcome-based performance measures for a few program areas. These cases provided some good examples of the types of meaningful performance measures that can be developed (page 24):

Exhibit 3

Examples of Performance Indicators Used by CAAs to Assess Their Programs

Community Action Agency and Program Area	Performance Measures Used	Type of Measure
Alexandria (ADHS/DEO) <i>Emergency Services</i>	<ul style="list-style-type: none"> • cost per client served • dollars leveraged from community for emergency purchase of services 	input input
Arlington (ACAP) <i>Employment</i>	<ul style="list-style-type: none"> • number of clients placed in jobs after training 	outcome
Central Piedmont (CPAC)	No performance measures	N/A
Clinch Valley (CVCA) <i>Transportation</i>	<ul style="list-style-type: none"> • number of one-way trips 	input
Eastern Shore (ESAAA/CAA) <i>Transportation</i>	<ul style="list-style-type: none"> • number of individuals needing regular transportation services 	input
Fairfax (FDCA) <i>Education</i>	<ul style="list-style-type: none"> • number of students counseled • number of work/seminar groups established that completed comprehensive curriculum • number of students for which case management was maintained 	input input input
Fauquier (FCAC) <i>Energy</i>	<ul style="list-style-type: none"> • number of families receiving assistance with their main heating source 	input
Halifax (HCCA) <i>Housing</i>	<ul style="list-style-type: none"> • number of families receiving housing services • number of families receiving safe water and wastewater systems • number of families receiving services to address home health and safety needs 	input input input
Lynchburg (LCAG) <i>Emergency Services</i>	<ul style="list-style-type: none"> • number of clients who received assistance with housing • number of clients who received assistance with utility bills • number of clients who received fuel • number of clients who received food 	input input input input
Monticello (MACAA) <i>Housing</i>	<ul style="list-style-type: none"> • number of housing placements • stability in existing or new housing 	input outcome
Mountain (MCAP)	No performance measures	N/A
New River (NRCA) <i>Nutrition</i>	<ul style="list-style-type: none"> • number of clients served 	input
Newport News (NNOHA) <i>Employment</i>	<ul style="list-style-type: none"> • number of persons who receive job training • number of persons being hired on permanent basis 	input outcome

Exhibit 3 (continued)**Examples of Performance Indicators Used by CAAs to Assess Their Programs**

Community Action Agency and Program Area	Performance Measures Used	Type of Measure
People Housing	<ul style="list-style-type: none"> • number of units completed • number of client goal plans achieved 	input outcome
Pittsylvania (PCCA) Elderly Services	<ul style="list-style-type: none"> • actual enrollment versus planned enrollment 	input
Powhatan-Goochland (PGCAA) Nutrition	<ul style="list-style-type: none"> • number of clients who receive meals 	input
Quin Rivers (QRACA) Elderly Services	<ul style="list-style-type: none"> • number of clients transported to feeding site • number of hot meals delivered • number of clients provided transportation to doctors, hospitals, and stores 	input input input
Richmond (RCAP) Community Organization	<ul style="list-style-type: none"> • number of people served 	input
Rooftop Nutrition	<ul style="list-style-type: none"> • number of people served 	input
Rural Areas (RADA)	No performance measures	N/A
Skyline	No performance measures	N/A
Southeastern Tidewater (STOP) Energy	<ul style="list-style-type: none"> • number of people who received home weatherization • number of people trained on energy conservation • number of people who received immediate replacement and/or repair of heating equipment 	input input input
Support to Eliminate Poverty (STEP) Housing	<ul style="list-style-type: none"> • number of clients served 	input
Sussex/Surry/Greenville (SSGIA) Housing	<ul style="list-style-type: none"> • number of clients receiving housing services 	input
Total Action Against Poverty (TAP) Education	<ul style="list-style-type: none"> • percentage of students demonstrating satisfactory progress in literacy • percentage of students receiving GEDs 	outcome outcome
Williamsburg-James City (WJCCCAA) Energy	<ul style="list-style-type: none"> • number of homes weatherized or assisted through the emergency crisis program 	input

Source: JLARC staff analysis of CAA Mail Survey and follow-up telephone calls to CAAs, March 1995.

The purposes of Job Training Partnership Act (JTPA) programs are to improve employment and earnings of participants. JTPA program performance measures include criteria such as the placement of terminees in unsubsidized employment, wages before and after receiving JTPA services, and the amounts of income or educational improvement that resulted from JTPA intervention. In addition, JTPA programs collect client information again after 13 weeks to determine longer-term program impacts.

* * *

A major objective of Project Discovery is to increase the number of low-income and first generation children who attend college. To measure this objective, Project Discovery tracks students who receive services while in middle and high school to determine how many of those students do in fact go on to college after high school graduation.

Adequate program accountability requires that, on an ongoing basis, CAA programs are assessed to determine whether they are meeting client needs and addressing both the immediate and long-term causes of poverty in the most effective manner possible. Monitoring program performance is necessary for assessing program impact, prioritizing use of scarce resources, maintaining appropriate levels of service in the face of changing needs, and supporting requests for additional funds or personnel. The lack of such measures leaves CAAs poorly equipped to empirically demonstrate how well they perform, at a time when government-funded services are under close scrutiny.

Reflective of the need for better program accountability, the federal CSBG Act was amended in 1994 to require as a condition of funding "a description of outcome measures to be used to monitor success in promoting self-sufficiency, family stability, and community revitalization." Also, the National CSBG Task Force on Monitoring and Assessment was created in 1994 to develop a set of results-oriented goals and measures for community service agencies. The task force has developed standardized goals and proposed outcome measures (Exhibit 4). Use of standardized goals and performance indicators will enable CAAs to better monitor the outcomes of their activities at the local level, and OCS to monitor community action outcomes on a statewide basis.

Community action agencies and OCS need to work together to refine, as needed, the federal Task Force performance measures and develop additional outcome measures appropriate to the services provided by Virginia's CAAs and statewide programs. Community action agencies should then collect data on the measures developed and use the results for internal program planning. In addition, data on the measures should be provided to OCS staff for their review.

Recommendation (1). Community action agencies, in cooperation with the Office of Community Services, should work to develop measures appropriate to Virginia to assess the outcomes of community action programs and the achievement of overall community action goals. Data concerning these measures should be collected by all CAAs on a regular basis and reported to OCS for evaluation of program effectiveness.

Exhibit 4

National CSBG Task Force Proposed Performance Measures for CSBG Agencies

Goals	Performance Measures
<ul style="list-style-type: none"> • Low-Income People Become More Self-Sufficient 	<ul style="list-style-type: none"> - Average change in annual household income - Average change in annual individual income - Percent of clients who consider themselves to be more self-sufficient following participation in programs
<ul style="list-style-type: none"> • The Conditions in Which Low-Income People Live Are Improved 	<ul style="list-style-type: none"> - Percent of participating families living in substandard housing moving into permanent standard housing - Participant hire rate - Percent of participants enrolled in educational and literacy programs who attend regularly - Percent of clients who consider they have access to critical services - Number of standard housing units becoming available
<ul style="list-style-type: none"> • Low-Income People Own a Stake in Their Community 	<ul style="list-style-type: none"> - Percent of clients volunteering or participating in one or more groups - Percent of clients owning/participating in tenant management of their housing - Amount of "Low-Income Venture Capital" brought into the community
<ul style="list-style-type: none"> • Partnerships in Community Services Are Achieved 	<ul style="list-style-type: none"> - Total dollars mobilized - Number of new and renewed agreements reached
<ul style="list-style-type: none"> • Agencies Increase Their Capacity to Achieve Results 	<ul style="list-style-type: none"> - Number and percent of funding applications with needs assessments done - Percent of CAAs with comprehensive services - Percent of boards that have conducted periodic organizational assessment - Number of funding sources
<ul style="list-style-type: none"> • Low-Income Groups Achieve Their Maximum Potential by Promoting Family and Other Supportive Environments 	<ul style="list-style-type: none"> - Development contacts as a percent of all contacts - Percent of programs targeted to special populations - Frequency of requests for emergency services per 1,000 clients - Percent of clients indicating improved functioning within the family during the past year

Source: National CSBG Task Force on Monitoring and Assessment, 1994

To Adequately Measure Performance, Records Management Practices Need to Be Improved

CAAs provide services to low-income individuals at the local level with the goal of developing long-term solutions to the problems of poverty. Effective program planning and service delivery are therefore key objectives of CAA activities. Accomplishing these objectives requires adequate, accurate, and accessible client information.

The 1989 JLARC report cited several problems with the accuracy and adequacy of client information maintained by the CAAs. The report noted, for example, that certain key information such as documentation of client eligibility for services, proof of residency, and dates and types of services provided were often missing in some client files. In addition, a number of CAAs could not determine an exact count of the unduplicated number of clients they served in a given year.

In conducting follow-up activities concerning client and service record-keeping practices, the present study found that the adequacy of client record management practices is still mixed, with some agencies having good client record management systems and others having inadequate systems. It is impossible to support performance-based outcome measures without accurate, complete client information, such as income, education, and employment status. This information is necessary for CAAs to document that they are serving the appropriate target populations and that the services are meeting the objectives of the CAA system to reduce poverty and increase self-sufficiency. Record-keeping problems, therefore, hinder program planning as well as CAA accountability through the assessment of program outcomes.

The Adequacy of Client Record Management Practices Is Mixed. Due to the follow-up nature of this review, the current study did not include a systematic review of client files at all CAAs. Instead, the team relied on monitoring reports from OCS, individual auditor reports, responses to a JLARC survey, and a review of a sample of client files at eight CAAs. Through these varied sources it appears that client record-keeping practices have improved at some CAAs, but there are still problems at other agencies.

One measure of the adequacy of client tracking procedures is indicated by the ability of CAAs to count unduplicated numbers of clients served during a program or fiscal year. In addition, CAAs should be able to identify the number and types of programs and services provided for each client they serve. The inability of many CAAs to provide an exact count of the unduplicated number of clients served was cited as a significant weakness in the previous report because it affects the accuracy of reports and may result in inaccurate conclusions about program effectiveness or adequacy of services.

According to responses received on the 1995 CAA survey, it appears that improvements have been made in CAAs' ability to account for clients served. For example, 11 CAAs were unable to provide unduplicated client counts in 1989, while six CAAs reported being unable to provide actual client counts for the 1995 CAA survey.

Nevertheless, according to recent OCS monitoring reports, some client files contain incomplete or missing information, and documentation of eligibility for services is not present in many client files. For example:

OCS staff noted on a monitoring report for Central Piedmont in 1993 that client files were missing information concerning social security numbers, income eligibility, and family needs.

* * *

A 1994 monitoring report for Support to Eliminate Poverty noted the difficulty of retrieving client records outside specific program areas, of obtaining unduplicated client counts, and lack of uniform client intake forms.

In some cases, independent auditors also noted problems with client files, particularly a lack of documentation of eligibility for services.

The OCS monitoring reports also provided some examples of good record-keeping practices. In particular, a few CAAs have computer systems which allow for tracking of clients and the services provided to each. For example:

Fauquier reported using the TRACKER system for client record-keeping. This computer software enabled staff to enter client data directly into the system upon intake and to update client information when necessary. This system also has an income verification component factored in so that when income is entered, the computer will indicate whether the income is above or below the poverty level. In addition, staff indicated that the system was being linked to other human service databases in the community with the long-term objective of eventually tracking comprehensive services received by clients, including those received from other agencies.

In addition to reviewing OCS monitoring reports and independent audits of CAAs, the JLARC study team reviewed over 190 client files at eight CAAs to assess the adequacy of record-keeping practices. The study team observed both adequate and inadequate client records depending on the agency or particular program area in which client records were examined. For example:

At Fauquier, client files concerning emergency home repair services contained extensive documentation, including proof of income eligibility, client residency, other types of services provided, and extensive demographic information. At the same CAA, client files concerning emergency food distribution contained deficiencies in income and residency verification and the client's receipt of other services.

* * *

Some client files at Sussex/Surry/Greenville and STEP noted client eligibility for services, the types of services received, and residency, but there was no evidence in the files that client income or residency had been verified.

* * *

Most of the client files reviewed at Total Action Against Poverty contained notation and documentation of eligibility for services and residency. For example, eligibility for services was documented by copies of pay stubs or letters from the Department of Social Services. Residency was documented by copies of rental agreements or real estate tax forms that were present in the client files.

These examples indicate that although records maintenance practices have improved at some CAAs they remain problematic at others.

At a minimum, client files should include the name of the client, date of birth, address, services received, the dates of all services, and a statement concerning the client's eligibility for services. Ideally, client files should contain other important demographic information such as family and employment status, level of education, number of dependents or dependent status, and total number and dates of services received from all programs at that CAA and other agencies in the locality.

Inadequate Record-keeping Practices Compromise CAA Reporting and Program Planning Activities. Improper or incomplete documentation of client information and services impairs accuracy in reporting to funding sources and in internal program planning. Symptomatic of record-keeping problems in CAAs, a number of discrepancies in information reported to OCS and JLARC were identified. For example:

Comparing unduplicated client counts reported on the 1995 CAA survey to figures reported to OCS as part of its CSBG reporting process revealed several discrepancies or omissions. Only seven out of 26 CAAs reported the same numbers to OCS and JLARC staff. Two CAAs reported approximately similar numbers and 17 CAA reports were markedly inconsistent.

As discussed in the next chapter, OCS requires each CAA to submit information on: the outcomes of community needs assessments conducted; projected counts of clients to be served; and progress made toward achieving those projections (on a quarterly basis). Each of these components requires accessible, accurate data to reflect the true needs of the community and the effectiveness with which those needs are being met from year to year. Inaccurate or incomplete data compromise the quality and reliability of these planning activities and undermines CAA accountability. Further, problems with accountability are compounded since the State subsequently reports this information to the federal government.

The Office of Community Services needs to work with CAAs in developing adequate client record systems. Community action agencies should develop procedures to ensure consistent and accurate reporting based on the information they have obtained.

Recommendation (2). Community action agencies, in cooperation with the Office of Community Services, should develop agency guidelines that will ensure the completeness and adequacy of information contained in client files. These procedures should include regularly-scheduled, random checks by CAA management staff of the quality and accuracy of a sample of client files from each program area.

Recommendation (3). Community action agencies, in cooperation with the Office of Community Services, should develop procedures at each CAA that will ensure consistency in all data reported from each agency to various sources. These procedures should include verification of all client, program, and fiscal information by appropriate staff and final authorization for release of data by the executive director or an appropriately designated person.

The Programs and Client Bases Served by CAAs Appear to Be Generally Appropriate

In the absence of data to measure the outcomes of CAA programs, JLARC staff developed several criteria to use in determining whether potential problems exist with CAA operations and activities. This section examines whether the programs and clients served by CAAs are consistent with federal statutes concerning the role of CAAs. The next section explores additional measures of CAA activity.

Federal statutes require community action agencies to provide a range of services and activities that address the causes of poverty. The adequacy of CAAs' services to impoverished individuals was assessed by examining: (1) the types of agency programs provided, and (2) the extent to which services are targeted to low-income people. Assessment of these areas reveals that the types of programs and the client bases of most CAA services appear to be in compliance with federal and State laws and are adequate. However, additional use of sliding scale fees for higher income clients may be warranted.

CAA Program Types Are in Compliance With Federal Laws. The federal CSBG Act directs that CSBG funds be used to "provide a range of services and activities having a measurable and potentially major impact on the causes of poverty." The Act identifies several types of activities for which the funds may be used, including assisting individuals with securing and retaining meaningful employment, obtaining an adequate education, and finding and maintaining a suitable living environment, among other activities.

JLARC staff found that CAAs are providing the types of programs required in the CSBG Act. Table 4 identifies the number of CAAs providing programs in each category.

Table 4

Relationship of CAA Program Categories to CSBG Act Specifications

CSBG Act Specifications	CAA Program Categories	Number of CAAs
To secure and retain meaningful employment	Employment	20
To attain an adequate education	Education	25
To obtain and maintain adequate housing and a suitable living environment	Energy	17
	Housing	26
	Water/Wastewater	17
To obtain emergency assistance	Emergency Services	25
To remove obstacles and solve problems which block the achievement of self-sufficiency	Elderly Services	19
	Ex-Offender Services	15
	Health	14
	Nutrition	20
	Transportation	17
To achieve greater participation in the affairs of the community	Community and Economic Development	13
	Community Organization	21

Sources: Community Services Block Grant Act, as amended in 1994; and JLARC CAA mail survey, March 1995.

CAA Services Are Generally Targeted to Low Income Clients. CAAs were created to address the problems of the low-income population. State law defines low-income as 125 percent or less of federal poverty guidelines. In particular, the CSBG Act forbids the use of CSBG funds to serve those over 125 percent of the federal poverty guidelines. However, some other CAA programs have eligibility criteria which allow for services to higher income level individuals. For example:

Head Start allows ten percent of the program participants to be over 125 percent of the federal poverty guideline.

* * *

Project Discovery, which allows services to individuals at 200 percent of poverty, has other eligibility criteria which are not all income-based. For example, a student is eligible to participate in Project Discovery if he or she is a potential first generation college student in the family.

* * *

For certain elderly and homeless programs, the only eligibility criterion is that the individuals are over age 60 or homeless.

Overall, most programs provided by CAAs appear to be targeted to low-income individuals and families. Twenty-three of the 26 CAAs reported serving clients above the 125 percent poverty level. However, only 26 of the over 140 different programs offered by CAAs allow service to clients with incomes above 125 percent of federal poverty guidelines.

The 1989 JLARC report recommended that CAAs charge sliding scale fees for services based on income where clients in diverse income groups are served. On the 1995 JLARC survey of CAAs, 13 of the 23 agencies that serve clients above 125 percent of poverty reported that they charged fees for certain programs based on individual income. For example, the People and Central Piedmont CAAs charge sliding scale fees based on income for child day care services. However, several of the programs continue to be offered to clients above the 125 percent of poverty level with no sliding scale fee provisions. Funding used for this purpose can reduce the funding available for meeting the needs of lower income clients.

There are reasons why a sliding scale fee structure needs to be implemented prudently. First, the cut-off point for where the scale begins (125 percent of federal poverty guidelines) is an imprecise indicator of poverty, and there is a concern that those immediately above it may have difficulty paying a fee. Further, the funding sources for some of the programs serving diverse income groups may not require or allow fees to be charged. Nevertheless, it may be a useful approach, in circumstances where funding is particularly limited, to ensure that the most needy are served.

All CAAs should assess the income levels of the clients served by their programs and examine the possibility of instituting sliding scale fees for services which are provided to clients in diverse income groups. CAAs may wish to offer clients who would be charged fees the option of receiving the services in exchange for assistance with CAA or community activities. One CAA, for example, reported that it requires recipients of donated food to contribute two hours of community service in exchange for goods received from the agency. CAAs could provide this option for clients who, for example, are above 125 percent of federal poverty guidelines but below 200 percent of the guidelines.

CAAs Differ Substantially Across Various Program Characteristics

To further examine the performance of CAAs, JLARC staff examined several programmatic characteristics of CAAs including: staffing, use of volunteers, range of services, number of clients served, average cost per client for service provision, and amount leveraged from CSBG funds (Table 5). In addition, the size of CAA service areas was examined. These characteristics provide insight into the diversity of CAA operations. They also provide clues for assessing organizational viability and efficiency at these agencies.

Table 5
Programmatic Characteristics of Community Action Agencies, FY 1994

<i>Community Action Agency</i>	<i>Full-Time Staff</i>	<i>Part-Time Staff</i>	<i>Volunteers</i>	<i>Number of Program Areas</i>	<i>Number of Reported Clients</i>	<i>Cost Per Client</i>	<i>Amount Leveraged/Dollar CSBG Funds</i>
Alexandria (ADHS/DEO)	14	1	10	7	5,720	\$434	\$13.63
Arlington (ACAP)	63	2	35	9	1,052	2,231	10.77
Central Piedmont (CPAC)	58	52	778	12	6,532	326	6.56
Clinch Valley (CVCA)	36	15	323	12	4,013*	483	8.64
Eastern Shore (ESAAA/CAA)	35	70	240	10	673	1,561	5.38
Fairfax (FDCA)	193*	75	N/A	9	35,000	102	15.17
Fauquier (FCAC)	30	7	110	7	625	1,612	5.00
Halifax (HCCA)	36	13	276	8	5,682	237	6.91
Lynchburg (LCAG)	99	5	215	9	5,814	356	6.61
Monticello (MACAA)	78	38	240	12	1,658	1,711	7.35
Mountain (MCAP)	62	11	803	12	12,496*	215	11.48
New River (NRCA)	73	53	2,300	13	11,555	303	12.40
Newport News (NNOHA)	111	2	692	10	8,095	298	5.07
People	105	8	403	12	2,946	1,079	12.40
Pittsylvania (PCCA)	71	52	984	9	5,373	568	7.00
Powhatan-Goochland (PGCAA)	10	8	12	10	1,148	494	2.51
Quin Rivers (QRACA)	16	4	124	11	2,540	289	1.91
Richmond (RCAP)	86	33	524	10	11,328*	385	7.01
Rooftop	54	13	191	13	5,051*	309	7.52
Rural Areas (RADA)	21	0	N/A	7	3,017	241	2.70
Skyline	5	26	168	6	363	2,288	6.81
Southeastern Tidewater (STOP)	93	289	300	10	7,185	1,034	6.97
Support to Eliminate Poverty (STEP)	39	45	250	3	3,187*	382	5.24
Sussex/Surry/Greensville (SSGIA)	28	8	75	6	343*	2,660	4.97
Total Action Against Poverty (TAP)	207	48	1,750	12	5,149	1,599	9.81
Williamsburg-James City (WJCCAA)	34	9	394	10	2,184	608	6.86
TOTAL	1,659	887	11,197		148,731		
STATEWIDE AVERAGE	63	34	430	10	5,720	\$425	\$7.83

* Number of staff includes delegate agency and central staff. ° Estimates
Source: JLARC staff analysis of CAA Mail Survey, March 1995.

Community action agencies displayed extreme variation across these characteristics. Although none of these characteristics alone may indicate a serious organizational limitation, taken together they raise concerns that should be examined further. In particular, Sussex/Surry/Greenville exhibited potential problems on at least three characteristics, indicating the need for in-depth review of its operations by OCS (Table 6). Skyline has shown significant improvement in its operations since it was formed in 1991; however, it still displayed potential limitations on certain characteristics. Given

Table 6
CAA Comparative Program Indicators, FY 1994

Community Action Agency	Limited Range of Services	Low Client Count	High Cost Per Client	Limited Leveraging Capacity
Alexandria (ADHS/DEO)				
Arlington (ACAP)		X	X	
Central Piedmont (CPAC)				
Clinch Valley (CVCA)				
Eastern Shore (ESAAA/CAA)		X	X	
Fairfax (FDCA)				
Fauquier (FCAC)		X	X	
Halifax (HCCA)				
Lynchburg (LCAG)				
Monticello (MACAA)			X	
Mountain (MCAP)				
New River (NRCA)				
Newport News (NNOHA)				
People				
Pittsylvania (PCCA)				
Powhatan/Goochland (PGCAA)		X		X
Quin Rivers (QRACA)				X
Richmond (RCAP)				
Rooftop				
Rural Areas (RADA)				X
Skyline	X	X	X	
Southeastern Tidewater (STOP)				
Support to Eliminate Poverty (STEP)	X			
Sussex/Surry/Greenville (SSGIA)	X	X	X	
Total Action Against Poverty (TAP)			X	
Williamsburg/James City (WJCCCAA)				

Source: JLARC Community Action Agency Survey, March, 1995.

the potential problems identified with these characteristics, OCS should continue to work closely with Skyline to ensure its continued improvement.

Staffing and Volunteers. CAAs report that, as of January 1, 1994, they employed 2,546 full- and part-time staff, an increase of over 60 percent since the 1989 report. Full-time staff sizes range from a low of five at Skyline to a high of 207 at Total Action Against Poverty.

In addition, CAAs report that 11,197 volunteers currently assist them in providing services to the poor throughout the State. The extent to which volunteers are used varies considerably across CAAs. Alexandria reports using only ten volunteers in FY 1994, while New River reports using 2,300 volunteers. The large number of volunteers reported by New River can partly be accounted for by one program — the SHARE food cooperative — which requires participants to provide community service in exchange for their participation in the cooperative.

Range of Services. Most agencies currently provide services in a wide range of program areas. For example, New River and Rooftop offer services in all 13 of the program areas, and on average, CAAs provide programs in approximately ten of the 13 program categories. However, a few CAAs offer a relatively limited range of services compared to the majority of CAAs. Support to Eliminate Poverty offers services in only three program areas — community organization, education, and housing. In addition, Sussex/Surry/Greenville and Skyline offer services in six of the 13 CSBG-defined categories. Various factors may impact the number and mix of program offerings in a particular locality. For example, some CAAs, especially those with relatively small budgets, may direct programs to serve a specific at-risk population within their service areas. Other CAAs may limit the programs they offer to avoid duplication of services in a particular locality or to better coordinate services with other agencies. Nevertheless, CAAs providing limited services may not be fully meeting the intent of the CSBG program, which is to provide “a range of services and activities impacting the causes of poverty.” If the range of services is too narrow, the need for and viability of the CAA should be examined.

Numbers of Clients Served. CAAs vary considerably in the number of clients served — from a low of 343 clients reported by Sussex/Surry/Greenville to a high of 35,000 clients reported by Fanfax. (For a few CAAs these numbers represent estimated counts because they are unable to determine unduplicated numbers of clients served.) Six CAAs reported markedly low client counts compared to other CAAs. As with a limited service range, low client counts may indicate that CAA services are not needed in a particular area or that the number of potential clients for particular services are too low to be cost effective. CAAs with low client counts need to determine if they are providing the types of services needed in their area. If so, they should look for ways to increase community awareness about their program offerings and increase outreach efforts to attract more clients.

Cost Per Client For Providing Services. According to the 1995 CAA survey responses, average costs per client for service provision also vary widely across CAAs.

For example, the average cost per client for services received at Fairfax was \$102, whereas the average cost for services at Sussex/Surry/Greenville was \$2,860 per client. A high cost per client could indicate that the CAA provides in-depth services to its clients. For example, a CAA with a high average cost per client may focus on providing intensive developmental services to its clients, while a CAA with a low average cost per client may focus more on providing less costly emergency services. However, it could also indicate that services are not being provided in the most cost-effective manner possible. CAAs should routinely examine their average cost of services per client on an agency-wide basis as well as a program-by-program basis to determine potential problems in program and agency operations.

Ability to Leverage Funds. CAAs also vary widely in their capacity to leverage funds using CSBG funds. Since CSBG funds are non-program designated, they can be used to leverage monies from other sources. This is often done, for example, when CAAs form partnerships with private or non-profit agencies that provide funds contingent upon a matching requirement. CAAs that are able to leverage funds in this manner are fulfilling a major goal of community action, which is to involve all sectors of local communities in solving the problems of poverty.

Three CAAs were found to be limited in their ability to leverage funds compared to other agencies. These CAAs may have limited local resources from which to elicit additional funds, but they may also need technical assistance from OCS to maximize their leveraging ability. Staff at these CAAs may also benefit from training or professional development in negotiating more viable community relationships, fund-raising, or researching grant sources.

Size of Service Areas. According to CAA staff and data provided on the 1995 CAA survey, the service areas of CAAs have changed little since the 1989 JLARC report and, for the most part, appear adequate. The 1989 JLARC report found problems with the size of some CAAs' service areas, and recommended that two agencies (Danville and Stanardsville) examine the feasibility of consolidating with other agencies based, in part, on their limited service areas. This recommendation has been fully implemented. In 1991, the Danville City Council approved the designation of Pittsylvania as the CAA for Danville. In 1992 the Greene County CAA was closed, and in its place Skyline was created to serve Greene and Madison Counties.

Agencies Displaying Multiple Limitations. Two CAAs — Sussex/Surry/Greenville and Skyline — exhibited potential limitations on three of the programmatic characteristics. Although none of the characteristics alone may indicate a problem, combined characteristics appearing consistently across agencies may indicate the need for further examination of the adequacy and efficiency of services being offered at that CAA. It appears, for example, that Sussex/Surry/Greenville, which exhibited combined features of a limited service range, low client count, and high average cost per client, may need OCS assistance in bringing certain program characteristics into more normative ranges. OCS reported that it has been working closely with Skyline to strengthen the fiscal accountability of that agency, and improvements have been made. Other CAAs,

such as Arlington, Eastern Shore, Fauquier, and Powhatan/Goochland which displayed potential problems on two indicators, may also need technical assistance from OCS.

OCS and the CAAs themselves need to regularly examine key programmatic features of the agencies to adequately monitor program effectiveness. OCS should provide technical assistance to those agencies demonstrating programmatic or structural weaknesses.

Recommendation (4). OCS staff should examine the efficiency of Sussex/Surry/Greenville. In addition, OCS staff should continue working with Skyline, focusing particularly on programmatic improvements. OCS staff should monitor CAAs for multiple limitations and provide technical assistance to agencies as needed.

FINANCIAL ACCOUNTABILITY

Overall funding for community action agencies and statewide organizations has increased from \$49 million in FY 1988 to \$66 million in FY 1994. While federal and State CSBG funding for community action has fluctuated over the last several fiscal years, it has increased slightly from \$6.4 million in FY 1988 to \$7.8 million in FY 1995. All CAAs and statewide programs showed gains in their funding over this time period. As funding to CAAs increases, the need for fiscal accountability becomes more imperative.

Due to an increase in the reporting requirements by OCS, CAAs and statewide organizations are currently more accountable for their finances than they were in 1988. However, the need for additional improvements in financial accountability is evident. First, many CAAs have reported incorrect financial information to OCS and JLARC staff. This brings into question the credibility of the financial information provided by the CAAs. In addition, while several CAAs and statewide organizations have implemented cost-savings initiatives, they have not adequately attempted to monitor their administrative costs.

The need for improved financial accountability is also demonstrated by the fact that several CAAs have had serious financial problems during the last few years, and a few were in jeopardy of losing their major funding sources. Further, a review of FY 1994 audits conducted of CAAs indicated that some CAAs are currently having financial problems.

To be able to successfully leverage funds from many sources, CAAs need to be financially accountable for the funds they receive, and they need to be in good financial standing. Therefore, CAAs need to improve their financial reporting practices, more effectively monitor their administrative costs, and use the technical assistance provided by OCS to address financial problems that may arise.

Substantial Funding Is Provided to Community Action in Virginia

Community action in Virginia received total funding of more than \$66 million in FY 1994. The vast majority of this funding — \$63 million — was received by the 26 community action agencies. The statewide community action organizations received almost \$5.3 million, much of which was distributed to the CAAs and other subcontractors. In addition, the Office of Community Services retained \$343,000 for its operations. Most CAAs saw significant increases in their funding levels between FY 1988 and FY 1994. Likewise, all of the statewide programs had increases in funding during this period.

Community Action Agency Funding. For FY 1994, CAAs reported total cash funding of approximately \$63 million from a variety of sources (Table 7). This amount included all funds distributed by the statewide programs to the CAAs. As was found in the 1989 review, most funding is received from the federal government. However, State and private funds are increasing at the fastest rate of all funding sources.

Community action agencies receive two general types of funds. One type is funds designated for a specific program. Most funding provided to CAAs is program-specific. The other type is non-program designated funds, which are the funds many CAAs use to raise, or leverage, other revenues. The federal Community Services Block Grant and State general fund appropriation are both non-program designated sources. Federal CSBG funds were on the decline until FY 1991, but have slowly increased since then (Table 8). Likewise, the State general fund appropriation has fluctuated, but has increased in the last two years.

Table 7

Sources of Local Community Action Agency Funds

<u>Source</u>	<u>FY 1988 Revenues</u>	<u>FY 1994 Revenues</u>
Federal Government	\$30,634,828	\$43,357,514
State Government	2,813,941	7,472,650
Local Government	4,664,803	6,049,507
Private Sector	590,487	1,509,886
Self-Generated	1,671,738	2,846,287
Petroleum Violation Escrow Funds*	2,550,652	0
Other**	<u>29,037</u>	<u>1,987,159</u>
Total	\$42,955,486	\$63,223,003

*Petroleum violation escrow funds originated from a federal court action taken against energy companies for violations of the Windfall Profits Tax. These funds have since been expended.

**Other sources include funds which could not be attributed to a single source, such as interest or combined fund campaigns.

Sources: 1989 JLARC report titled *Review of Community Action in Virginia*, and JLARC CAA mail survey, March 1995.

Table 8

Trends in Community Action Agency Funding FY 1988 - FY 1995

<u>Fiscal Year</u>	<u>CAA Funding*</u>	<u>CSBG Amount**</u>	<u>State Appropriation</u>
1988	\$42,955,486	\$5,417,726	\$1,283,257
1989	39,609,241	5,023,320	1,283,257
1990	47,594,815	4,772,153	2,061,192
1991	53,359,873	4,775,100	2,005,189
1992	64,263,071	5,160,657	1,648,654
1993	63,479,181	5,243,583	1,500,275
1994	63,223,003	5,406,645	1,750,275
1995	N/A	5,717,690	2,150,275

*Represents funds received by the CAAs. This number does not include the funds which were retained by the Department of Social Services or the community action statewide organizations to cover their administrative operations.

**Represents amount of CSBG funds provided to the 26 CAAs. This number does not include the five percent provided to the statewide programs or the five percent retained by the Department of Social Services.

Sources: Department of Social Services, Office of Community Services; 1989 JLARC report titled *Review of Community Action in Virginia*; and JLARC CAA mail survey, March 1995.

Overall, there has been an increase in CAA funding since the first JLARC study. Specifically, CAA funding increased 47 percent between FY 1988 and FY 1994. Inflation over this period equaled 26 percent. Therefore, CAA funding increased at almost twice the rate of inflation. All CAAs have seen an increase in their funding since the 1989 study. However, the percentage increases in funding vary widely across CAAs — from six percent at Central Piedmont to 378 percent at Rural Areas. Only three CAAs had increases in funding which were less than the rate of inflation. (Appendix B identifies funding received by each CAA for FY 1989 through FY 1994.)

In addition to cash support, CAAs also reported receiving in-kind contributions valued at over \$20 million in FY 1994. In-kind contributions are non-cash donations of goods and services, such as the value of volunteer assistance. The amount received in FY 1994 represents a significant increase in in-kind contributions since FY 1988, when approximately \$5.5 million in in-kind was received. Much of this increase appears due to the tremendous increase in the use of volunteers in recent years.

Statewide Community Action Program Funding. As previously discussed, there are three statewide community action organizations: Project Discovery, Virginia Community Action Re-Entry System (Virginia CARES), and Virginia Water Project. These organizations reported receiving funding of almost \$5.3 million in FY 1994 (Table 9). The majority of this funding is from general funds appropriated by the State.

All three statewide programs receive federal CSBG and State funding. The Office of Community Services is responsible for distributing the federal CSBG funds to

Table 9

**Sources and Uses of Statewide Community
Action Organization Funds
FY 1994**

<u>Statewide Organization</u>	<u>Total Amount Received</u>	<u>Federal CSBG Funds Received</u>	<u>State General Funds Received</u>	<u>Amount Retained by Central Office</u>	<u>Amount Disbursed by Central Office</u>
Project Discovery	\$1,038,647	\$20,364	\$1,008,154	\$226,923	\$811,724
Virginia CARES	1,322,917	17,688	1,305,229	220,707	1,102,210
Virginia Water Project	<u>2,899,971</u>	<u>268,021</u>	<u>876,803</u>	<u>1,905,095*</u>	<u>432,037</u>
Total for Statewide Organizations:	\$5,261,535	\$306,073	\$3,190,186	\$2,352,725	\$2,345,971

*This does not include carryover funds of \$562,839, which are to be used in FY 1995.

Sources: Central offices of Project Discovery, Virginia CARES, and the Virginia Water Project, April 1995.

the statewide programs. As will be discussed in the next chapter, the method of distributing these funds appears inequitable and requires modification. The State general funds are distributed to the statewide organizations by various State agencies. The Department of Education provides State funds to Project Discovery. Virginia Water Project receives State funding from the Department of Housing and Community Development. And, the Department of Criminal Justice Services distributes the State appropriation to Virginia CARES. The amounts of State funding to be allocated to each statewide program are included in the Appropriation Act.

A substantial percentage of funds received by statewide community action programs were disbursed to other non-profit entities. Usually these entities were local CAAs. In addition, a portion of the funds received by each entity was retained by the central office of each organization. These funds appear to be used appropriately to support the projects conducted by the CAAs and other entities. The funds were used to cover administration, training, travel, and in the case of Virginia Water Project, some direct service costs.

All the statewide programs received increases in their funding from FY 1988 to FY 1994. Virginia CARES, Virginia Water Project, and Project Discovery had percentage increases in their funding of 47, 91, and 109 percent, respectively.

CAA Financial Reporting Needs to Be Improved

Given the substantial level of funding received by CAAs and statewide organizations, it is important that these agencies be accountable for the funding received. One aspect of accountability involves reporting to the grant manager, which in this case is

OCS, on a regular basis to indicate how funds are intended to be used and how they are actually spent.

The content and frequency of CAA and statewide organization reporting requirements to OCS have increased since 1988. They are now required to submit to OCS all funding and expenditure information on a quarterly basis. OCS requires the agencies to provide detailed information regarding CSBG funding and expenditures, in addition to a listing of all other funds leveraged by the agencies.

However, JLARC review of funding amounts reported by CAAs indicates there are significant inconsistencies. The JLARC survey of CAAs required each CAA to provide total funding levels for FY 1994. JLARC staff compared the reported funding levels from the survey to the funding information reported by the CAAs to OCS for FY 1994 on the fourth quarter CSBG reports. Since the same information was requested by OCS and JLARC, the funding amounts should have been the same for each CAA. However, this review found that 21 CAAs reported different FY 1994 funding amounts to OCS and to JLARC (Table 10). OCS did not have sufficient data available for the remaining CAAs.

Many of the differences in reported funding are significant. For example, Monticello reported more than \$1 million more in total funding to JLARC than they reported to OCS. Conversely, Eastern Shore and Southeastern Tidewater reported more than \$1 million more to OCS than to JLARC.

The CAAs reported several different reasons for the discrepancies. Nine CAAs reported errors during compilation of the funding totals on the CSBG report. In addition, six CAAs used different accounting or reporting techniques when completing the JLARC survey and the CSBG reports. For example, since some programs operate on different fiscal years, some FY 1994 funding amounts indicated on the CSBG report included funds received in different fiscal years. Six CAAs were unable to identify a reason for the discrepancy in their reported funding amounts.

The differences in the reported amounts provided to JLARC and OCS raise questions about the accuracy of other funding information provided by the CAAs. For CAAs and statewide organizations to be accountable for CSBG and all other funds received, it is important they provide accurate and consistent information regarding their budgeted and actual use of the funds. Therefore, CAAs and statewide organizations should ensure that they provide accurate information to OCS regarding their funding amounts and expenditures. Further, as part of their in-house oversight of community action, OCS should more explicitly indicate the information to be provided, and they should monitor the agencies' reported funding data to ensure they are accurate.

***Recommendation (5).* Community action agencies and statewide organizations should review funding information provided to the Office of Community Services to ensure that the information is accurate. If an agency's independent audit identifies differences in funding amounts, these should be reported to OCS.**

Recommendation (6). The Office of Community Services should explicitly indicate the information to be received in the CSBG quarterly reports. In particular, OCS should indicate that all funding information be provided for the fiscal year indicated only. OCS should review all fourth quarter CSBG reports to ensure that the funding information provided is accurate.

Table 10

Differences in Total Funding Amounts Reported by CAAs to JLARC and OCS FY 1994

Agency	Total Funding Amount Reported to JLARC	Total Funding Amount Reported to OCS	Difference
Alexandria (ADHS/DEO)	\$2,483,273	*	*
Arlington (ACAP)	2,017,152	*	*
Central Piedmont (CPAC)	2,127,505	\$2,403,011	\$275,506
Clinch Valley (CVCA)	1,937,326	1,348,585	588,741
Eastern Shore (ESAAA/CAA)	1,050,624	2,085,585	1,034,961
Fairfax (FDCA)	3,572,376	3,962,049	389,673
Fauquier (FCCA)	1,007,342	840,589	166,753
Halifax (HCCA)	1,344,912	931,139	413,773
Lynchburg (LCAG)	2,071,357	2,291,119	219,762
Monticello (MACAA)	2,837,422	1,473,115	1,364,307
Mountain (MCAP)	2,669,374	2,819,509	150,135
New River (NRCA)	3,498,030	3,482,748	15,282
Newport News (NNOHA)	2,415,543	*	*
People	3,181,586	*	*
Pittsylvania (PCCAA)	3,054,380	3,383,483	329,103
Powhatan/Goochland (PGCAA)	566,824	542,921	23,903
Quin Rivers (QRACA)	733,750	276,695	457,055
Richmond (RCAP)	4,356,111	3,546,658	809,453
Rooftop	1,561,830	1,616,602	54,772
Rural Areas (RADA)	727,523	580,866	146,657
Skyline	830,401	789,523	40,878
Southeastern Tidewater (STOP)	7,431,572	9,391,963	1,960,391
Support to Eliminate Poverty (STEP)	1,202,992	1,614,419	411,427
Sussex/Surry/Greenville (SSGIA)	980,815	*	*
Total Action Against Poverty (TAP)	8,234,876	7,942,583	292,293
Williamsburg/James City (WJCCAA)	1,328,107	1,358,756	30,649

* OCS did not have sufficient data available to determine total FY 1994 funding for these agencies.

Source: JLARC review of CAA fourth quarter CSBG reports and JLARC survey of CAAs.

Administrative Costs Need to Be Defined and Monitored

DSS and CAA staff often indicate that they do not receive enough funding to meet all the needs of low-income individuals within their service areas. Therefore, it is important that CAAs and statewide organizations use as much of their funding as possible for direct services to low-income individuals, and a minimum amount of funding for administrative costs. The 1989 JLARC report on community action in Virginia indicated that administrative costs were not being adequately monitored. The report noted that CAAs lacked a standardized definition of administrative costs, and it recommended that a standard definition be developed. A recommendation was also made for OCS to provide CAAs with a target for administrative costs. However, these recommendations have not been adequately addressed.

Neither OCS nor the CAAs have developed a standard definition of administrative costs. The JLARC survey of CAAs requested the CAAs to provide their definition of administrative costs. Several different definitions were provided. For example:

Two CAAs, People and Monticello, described their guidelines for determining administrative costs as record-keeping, fiscal management, reporting, auditing, and other items designated by the funding source.

* * *

Pittsylvania described administrative costs as personnel and operational costs that "are not direct services related."

* * *

New River defined administrative costs as any costs not specific to individual programs, but considered "common or shared by all programs."

Although a standard definition of administrative costs has not been developed, in FY 1994 OCS conducted a survey of CAAs asking for administrative costs as a percentage of total funding for CAAs. The survey indicated that average administrative costs were 8.9 percent of total funding. However, since administrative costs were not defined, OCS did not obtain a consistent measure of administrative costs across all CAAs.

Development of a consistent definition to be used by all CAAs in addition to establishment of a target amount could help ensure that CAAs are allocating their funds in the most economic manner possible. It would also assist CAAs and OCS in identifying potential problem areas in agency administration. Therefore, OCS and the CAAs should work together to develop a common definition of administrative costs. Once this is completed, OCS should recommend a target for agency-wide administrative costs, which should be met by all the CAAs.

Recommendation (7). The Office of Community Services should work with the community action agencies to define agency-wide administrative costs as they pertain to CAAs and recommend a target for these costs. OCS should monitor the CAAs' agency-wide administrative expenses and provide the assistance necessary to help them meet the established target.

Cost-Savings Initiatives Have Been Undertaken by CAAs

Another way CAAs and statewide organizations can maximize the amount of funding used for direct services to low-income individuals is by implementing cost saving initiatives. In response to the 1989 JLARC report on community action in Virginia, CAAs have implemented many cost-savings initiatives. CAAs and statewide organizations need to continue to conduct assessments to save costs where possible.

One of the cost-savings initiatives undertaken, which involved all the CAAs, was a reduction in the number of Virginia Council Against Poverty (VACAP) meetings. This was recommended in the 1989 JLARC report on community action. VACAP replaced the Virginia Association of Community Action Agencies (VACAA) subsequent to the 1989 report and is the State-level CAA professional organization. Meetings are held by the association to enable CAA directors to discuss issues and attend training workshops.

In 1991, the number of conferences held per year was reduced from five to four. This decrease in conferences appears to have reduced conference costs incurred by CAAs. The 1989 JLARC report indicated that one of the 1988 VACAA conferences cost \$22,000 and the annual conference cost \$62,000. If it is estimated that the other three VACAA conferences cost a total of \$66,000, then the total 1988 cost for CAAs attending VACAA conferences would have been \$150,000. For FY 1994, CAAs and statewide organizations reported that the amount spent on the four VACAP conferences was \$106,123, or 29 percent less than in 1988.

In addition, 15 CAAs reported on the JLARC survey that they have undertaken internal cost-savings assessments since 1989. These assessments typically involved cost savings on particular purchases rather than cost savings from formal, agency-wide assessments. Cost-savings initiatives reported by the CAAs included the following:

Rooftop reviewed and updated its internal procurement and bid processes as mechanisms for reducing costs. This CAA reported realizing cost savings through increased internal monitoring, control of purchasing, and review of the awarding of bids and contracts.

* * *

New River reported that it had negotiated reduced rates for their fiscal audit, changed employee health insurance carriers, and utilized com-

puters for improved efficiency in client records and increased accuracy in reporting.

The CAAs reported that these actions both saved money and improved service delivery.

All CAAs should be conducting cost-savings assessments periodically to ensure they are minimizing overhead and providing quality services at the least cost. Further, to encourage the use of successful cost-savings initiatives by other CAAs, CAAs should share their initiatives with other CAAs during the quarterly VACAP conferences.

Recommendation (8). All CAAs should conduct periodic cost-savings assessments. Successful cost-savings initiatives should be presented during VACAP conferences to encourage their use by other CAAs and statewide organizations.

Some CAAs Have Had Significant Financial Problems

During the last several years, three community action agencies have had significant financial problems which seriously threatened their ability to operate. These CAAs obtained technical assistance from OCS and were able to maintain their operations without a reduction in funding. Further, JLARC review of FY 1994 audits conducted by independent accounting firms for the CAAs indicated that several other CAAs are currently having financial difficulties. When financial problems develop, CAAs should contact OCS and use OCS technical assistance to help correct the problems.

The three CAAs that had serious financial problems were Quin Rivers, Skyline, and Newport News. In each of these cases, OCS staff provided technical assistance, enabling the agencies to correct the problems. For example:

Quin Rivers had many financial problems in FY 1994. In addition to not having acceptable accounting practices in place, the agency significantly exceeded its expenditure projections and was close to running out of money two months before the end of the fiscal year. OCS worked closely with Quin Rivers to provide loans, to set up an accounting system, and to train the board of directors. At one point, an audit committee which included OCS staff were authorizing every expenditure made by Quin Rivers. Quin Rivers is now operating on its own but is being closely monitored by OCS.

* * *

The Skyline Community Action Program was without a financial officer when the individual holding this position left. Problems ensued which threatened its Head Start funding. According to OCS staff, the agency probably would have ceased to exist without the Head Start

funding. OCS staff temporarily served as the Skyline financial officer to ensure the CAA would receive funding from Head Start.

* * *

A DSS internal audit report indicated that in 1992, financial records at the Newport News Office of Human Affairs were destroyed by a former independent auditor who had failed to cite significant financial problems that were occurring at the agency. OCS staff assisted NNOHA in re-constructing a financial system and, according to OCS staff, the agency is now operating smoothly.

To assess the current financial status of the CAAs, JLARC staff reviewed all 20 of the FY 1994 independent audits that had been submitted by the CAAs. The federal Single Audit Act requires the independent audit to be completed within 13 months of the end of the fiscal year. Therefore, not all CAAs had submitted their FY 1994 audits by May 1995.

Seven of the audits reviewed contained exceptions or concerns regarding inadequacies in internal fiscal controls. Internal fiscal controls are procedures that provide management with reasonable assurance that assets are adequately safeguarded, that transactions are performed with proper authorization and adequately documented so that appropriate reports can be prepared, and that programs are managed in compliance with applicable laws and regulations. Examples of problems cited in the audits include:

The independent audit of Clinch Valley cited numerous instances of incorrect account codes, lack of appropriate segregation of duties in the fiscal department, and delayed reconciliation of bank statements.

* * *

Eastern Shore was not appropriately recording non-cash transactions in the general ledger. The auditor noted that workpapers necessary to support allocation of certain costs to various federal and State programs were lacking. In addition, there was insufficient documentation to support a decision for not accepting a low bid on a contract.

CAAs that are having financial problems should inform OCS staff. If needed they should request technical assistance to help resolve such problems.

Recommendation (9). CAAs that are having financial problems should inform OCS and report to OCS on corrective actions within ninety days.

COMMUNITY ACTION BOARDS OF DIRECTORS

The *Code of Virginia* invests community action boards with considerable power and responsibility. CAA boards are responsible for appointing the agency director; approving contractual documents, budgets, grants, and organizational policies; performing internal evaluations; and managing agency problems. With the exception of public CAAs, community action boards exercise supervisory responsibility for key agency decision-making, and they are responsible for oversight of all operational activities.

The 1989 JLARC study found two problems related to community action boards of directors. JLARC staff found that the composition of statewide community action program boards did not comply with federal CSBG statutes. In addition, the 1989 study found that minimal board training and oversight of board representation was being provided by OCS. Recommendations were made to correct inconsistencies in federal and State statutes regarding board composition, and to increase OCS training and oversight of CAA boards.

The current review found that CAAs are complying with statutory requirements concerning board composition and representation. Statutory requirements were changed subsequent to the 1989 report to require that statewide community action program boards conform to the same requirements as local CAA boards. Also, as will be discussed in the next chapter, training for community action board members is now being provided by OCS. However, problems with board participation were also identified. In particular, some CAAs need to improve board attendance at meetings and fill board vacancies in a more timely manner.

CAA And Statewide Programs Comply with Statutory Requirements for Board Composition

The composition of community action boards is prescribed by State and federal law. Section 2.1-591 of the *Code of Virginia* specifies that community action agency boards of directors include no less than 15 members and must consist of:

- one-third elected public officials or their designees, selected by the local governing body or bodies of the service area; except that if the number of elected officials reasonably available and willing to serve is less than one-third of the board membership, then appointed public officials may be counted in meeting the one-third requirement;
- at least one-third persons elected democratically to represent the poor in the service area; and
- members of business, industry, labor, religious, social service, education, or other major community groups.

CAA board composition was purposefully designed to reflect the importance of both local control and broad representation in determining community action activities. All CAAs and statewide organizations are currently in compliance with the legal requirements for board composition.

Board Composition. As of January 1, 1995 there were 568 board member positions for Virginia's 26 CAAs. Of these positions, 194 were public official positions, 191 were low-income positions, and 183 were private-sector positions.

Based on CAA responses to the 1995 JLARC survey, all agencies are complying with State and federal statutory requirements concerning representation of diverse constituencies on CAA boards. Currently, all boards have between 15 and 45 positions. Also, the boards comply with federal and State laws requiring that CAA boards comprise one-third public sector representatives, at least one-third low-income representatives, and the remainder individuals from the private sector. However, as discussed later in this chapter, there are some CAAs which have problems with board position vacancies.

Statewide Program Board Composition. The 1989 JLARC report recommended that the General Assembly amend §2.1-595 of the *Code of Virginia* to require that membership of statewide community action organization boards conform to the membership requirements for CAA boards. It was felt that this provision would strengthen representation of low-income and private-sector individuals in all community action activities. In addition, it was a necessary step to conform statewide boards to federal CSBG requirements. The recommendation was implemented during the 1989 Session of the General Assembly and notice was sent to all statewide agencies of the change. All statewide community action programs have since modified their boards to conform to the revised State statute.

Some CAAs Exhibited Problems with Board Participation

Although the present study found that board positions have been established in compliance with State and federal laws, two practical considerations need to be addressed to further ensure that the statutory intent of community participation on CAA boards is being met. Based on findings in the present study, it appears that CAA board representation needs to be strengthened through more timely reappointment of board members to vacant positions. In addition, board participation in CAA activities needs to be strengthened through better monitoring of board member attendance at meetings.

Board Vacancies. Eighty-two of the 568 board positions (14 percent) were reported vacant as of January 1, 1995. Vacancies included 14 public sector representatives, 27 low-income representatives, and 41 private sector representatives. A certain level of vacancies is unavoidable. However, chronic vacancies, particularly among the low-income group, may create a situation whereby the statutory requirement for at least one-third low-income representation is not, in effect, being met even though the positions have been established.

Based on monitoring reports and survey responses, chronic or substantial numbers of vacancies may be somewhat problematic. Five CAAs — Fauquier, Newport News, Powhatan/Goochland, Quin Rivers, and Richmond — had at least 25 percent of their board positions vacant on January 1, 1995. Though these CAAs meet the mandated board composition in terms of established positions, all were temporarily out of compliance in terms of actual board member representation. For example:

At Powhatan-Goochland (which is in the process of recruiting an executive director), over 50 percent of the board positions were vacant as of January 1, 1995. A follow-up phone call in May indicated that most of the positions were still vacant. The acting executive director indicated that the vacancies occurred mostly as a result of normal turnover because a number of terms had expired at one time, and that the positions were usually not vacant for long.

* * *

The Richmond executive director reported that some private sector board positions have been vacant for at least a year. The executive director reported that they use diverse methods, including written announcements, word-of-mouth, personal letters, and phone calls to let people know they are recruiting board members, but people respond slowly to make appointments from their agencies.

Chronic or substantive vacancies at any one time may signal lagging interest or lack of awareness by public, private, or low-income groups of the CAAs' activities. Excessive vacancies can also occur if the by-laws are written in such a way that many board members' terms expire at the same time.

Chronic, disproportional vacancies on boards may, in effect, create a situation that is contrary to the central concept of community action, which is to give all sectors of the community a voice in CAA activities. The absence of representation by low-income and private-sector individuals deprives these constituencies of a direct voice in the activities of CAAs and should be addressed in a timely and efficient manner.

Recommendation (10). Community action agencies should place as a high priority the filling of vacant low-income board positions. In addition, they should encourage selection of board members for vacant public and private sector positions by their local governments and community groups.

Recommendation (11). Community action agencies should review, and revise as necessary, their by-laws to stagger board terms such that proper and continuous representation of public, private, and low-income individuals is ensured.

Board Member Attendance at Meetings. Board representation can also be compromised if attendance at board meetings is low. Many CAAs include detailed

records of board attendance in the board minutes they send to OCS. Review of these minutes revealed that some CAAs have problems with board attendance. For example:

People, Inc. has 36 board positions, however, between seven and 18 board members were absent from the five meetings in FY 1994 for which OCS had minutes.

* * *

At two agencies (Total Action Against Poverty and Mountain), nearly 30 percent of the board members were absent from all of the meetings in FY 1994.

* * *

At Quin Rivers, two of the board meetings had no quorum in FY 1994 and the remainder of the meetings that year barely had a quorum.

Chronic absenteeism may indicate disinterest or scheduling conflicts that can impair a board member's capacity to serve as a viable representative of his or her group on the board.

The Office of Community Services should monitor board attendance through CAA board minutes to identify chronic problems with attendance. Review of CAA board minutes offers not only an important mechanism for OCS to be kept informed about board attendance, but the minutes may also provide important information regarding positive or negative trends in CAA financial and programmatic activities.

However, as discussed in more detail in the next chapter, OCS does not receive the board minutes from many of the CAAs' board meetings. The Office of Community Services needs to closely track information submitted from the CAAs to ensure it receives all agency board minutes. Follow-up should be conducted with CAAs not submitting their board minutes. Once received, all board minutes should be reviewed by OCS to identify attendance problems. In addition, in its board training, OCS should stress the importance of attendance at CAA board meetings.

Recommendation (12). The Office of Community Services should require, as part of the CSBG regulations, that CAAs identify all present and absent board members in the minutes for each board meeting. Further, OCS should ensure that it receives the minutes from all CAA board meetings. Through the board minutes, OCS should monitor board member attendance and follow up with CAAs having consistent problems with attendance.

Recommendation (13). Consistent with suggestions provided by the Office of Community Services to CAAs, CAAs should include provisions addressing board meeting attendance and dismissal for lack of attendance in their by-laws, so that individuals are serving on the board who are best able to fulfill their responsibilities.

III. State Oversight of Community Action in Virginia

One of the primary roles the State performs regarding community action is oversight of the operations of community action agencies (CAAs) and programs. The Office of Community Services (OCS) within the Department of Social Services (DSS) is primarily responsible for providing this oversight. The State has an interest in the programs and the efficiency and effectiveness of CAAs because federal and State non-program designated appropriations are provided to the community action agencies. These funds are appropriated to CAAs from the federal community services block grant (CSBG) and from the State general fund, which are both commonly referred to as CSBG funds.

The 1989 JLARC review of community action in Virginia indicated that OCS oversight of the community action agencies was very limited. The two components of CAA monitoring by OCS were on-site monitoring visits and document reviews. The JLARC review found that on-site monitoring with written feedback to the agencies was almost non-existent, and documents submitted by the CAAs received only cursory review. The JLARC review indicated that it was essential for OCS to have a clearly-defined oversight strategy to make the best use of its resources, and this oversight strategy needed to provide for a more objective and systematic approach.

With increased staffing since 1989, OCS has enhanced its capacity for, and involvement with, oversight activity. For example, OCS staff have provided effective technical assistance to several CAAs, implemented more stringent reporting requirements for CAAs, and developed a framework for on-site monitoring of CAAs.

However, the need to develop an effective oversight strategy continues. OCS still has problems in the areas of on-site monitoring and in-house review and analysis of CAA information. OCS needs to shift its focus from conducting detailed, but unnecessary on-site financial reviews, to performing comprehensive on-site reviews of CAA program effectiveness. In addition, to enhance its ability to provide in-house oversight of the CAAs, OCS needs to better collect and use CAA financial and program information. By reorganizing its priorities and staffing, OCS could operate more efficiently and effectively, freeing up staff time for additional duties that may be assigned by the DSS Commissioner, or allowing for a reduction in OCS staffing levels.

Further, the State needs to more equitably distribute funds to the CAAs and the statewide organizations. The State should move toward full implementation of a funding formula that is more needs-based and less based on historical patterns.

In addition to DSS, three other State agencies are responsible for oversight of the statewide community action organizations — the Department of Education, the Department of Criminal Justice Services, and the Department of Housing and Community Development. While generally providing adequate oversight, these agencies need to coordinate their activities with DSS to avoid duplication of monitoring activities.

OCS OVERSIGHT CAPACITY HAS INCREASED

In 1989, oversight of the community action agencies was minimal. The OCS had only two positions on staff, an office director and a clerical position. At that time the community action agencies provided limited financial and program information, and there was no formal on-site monitoring conducted of the CAAs.

As previously indicated, OCS has significantly increased its funding and its staff since 1989. As of April 1995, the Office of Community Services had five full-time and two part-time positions. With the increase in staff, OCS' oversight capacity has increased, as has its oversight activities. With this capacity, OCS has: (1) developed CSBG policy and procedures guidelines; (2) conducted regular reviews of CAA financial reports, funding applications, and contracts; (3) provided ongoing technical assistance to the community action agencies; (4) provided training for CAA board members; and (5) established a framework for conducting formal on-site monitoring of CAA finances and programs. On-site monitoring activity has also increased substantially in 1993 and 1994. However, OCS did not meet its goal for the frequency of on-site visitation during the period from 1989 to 1994, and its increase in recent activity appears to be misdirected.

CSBG Policy and Procedures Guidelines Have Been Developed

OCS staff have developed written CSBG policy and procedures guidelines which apply to all community action agencies. As noted in the guidelines:

development of CSBG Guidelines was necessary . . . to ensure compliance with the provisions of [State and federal] laws by community action agencies, and to protect the Commonwealth in its allocation and stewardship of funds to eligible entities.

The guidelines provide detailed descriptions of OCS responsibilities and community action agency requirements. In particular, the guidelines outline:

- CAA board of directors responsibilities,
- requirements for agency by-laws,
- requirements for agency reporting to OCS,
- procedures for agency administrative and fiscal operations, and
- procedures for the expansion of CAA programs into unserved areas.

These guidelines are in the process of being revised by OCS staff to ensure compliance with State law.

Certain Documents Are More Routinely Submitted and Reviewed

The CSBG policy and procedures guidelines require all CAAs to submit quarterly financial reports on State and federal community services block grant expenditures in accordance with the State fiscal year. These reports require the community action agencies to submit the following information each quarter:

- CSBG fund expenditures by program area;
- CSBG fund expenditures by budget category (salaries, travel, etc);
- all funds received in addition to the CSBG funds;
- participants served by program area;
- participants served by jurisdiction; and
- participant demographic data (as part of the fourth quarter report).

According to the OCS director, in 1989 only four CAAs provided financial information to the Office of Community Services on a regular basis. Further, in 1989 none of the agencies were required to provide the extent of information currently provided.

In recent years, documents with this information have been more routinely submitted to and reviewed by OCS. Occasionally, some CAAs are late in providing this information to OCS. In these situations, as is indicated in the CSBG guidelines, OCS staff delay CSBG funding to the agency until the report is received, which is usually no longer than a week or two. OCS staff review the financial information to determine mathematical accuracy and to monitor whether CAAs are overspending or underspending CSBG funds.

OCS staff also review the annual community services block grant application which each CAA is required to provide by April 1. The CSBG application includes a needs assessment which is to be completed with community input, agency goals for expenditures and participants served by program area, the agency's budget, and a list of members of the agency's board of directors. OCS staff review the application to ensure that funds are budgeted to program areas according to priorities identified in the needs assessment, and to ensure that community action agency boards comply with CSBG requirements for membership.

In addition, OCS staff are responsible for reviewing all purchases above \$2,500 made by community action agencies with CSBG funds. OCS must approve such purchases before they may be made.

CAAs Indicate that OCS is Providing Good Technical Assistance

Office of Community Services staff provide on-going technical assistance to CAAs on an "as needed" basis. Community action agency staff are pleased with the technical assistance provided. Seventeen of the 26 CAAs reported receiving technical assistance at some point from OCS. All 17 CAAs reported that the assistance they received was "good" or "excellent." Some examples of technical assistance provided by

OCS staff include the development of a computer spreadsheet for CAAs to use to submit CSBG applications, financial assistance provided to the Quin Rivers Agency for Community Action to prevent it from losing Head Start funding, and on-site financial assistance provided at the Skyline Community Action Program when there was no financial director on staff. The financial assistance provided by OCS staff in these examples helped to ensure that these two agencies remained operational.

OCS Indicates that Training Has Been Given Greater Priority

The OCS director provides training for CAA boards of directors when it is requested by either board members or community action agency directors. In FY 1994, the OCS director attended 20 board meetings at eight different CAAs. The director reported providing training during some of these board meetings. From July 1, 1994 to May 1, 1995 the OCS director reported conducting 12 formal training sessions with nine different boards. The formal training sessions involve a discussion of the responsibilities of board members, the relationship between the board and the CAA director, the importance of board meetings, and the need to be both advocate and information-gatherer for the community action agency. Additional training is provided according to the needs of the board members.

An On-site Monitoring Framework Has Been Established

In response to a recommendation from the 1989 JLARC report on community action in Virginia, OCS has developed a formal on-site monitoring process for community action agencies and statewide programs. This monitoring process involves the completion of a monitoring tool which was developed by OCS staff, the Compliance and Program Review Instrument (CPRI). The CPRI requires six functional areas to be reviewed: organizational structure, board functioning and decision-making, fiscal operations and control, human resources management, program planning and evaluation, and delegate agency compliance. Exhibit 5 highlights some of the items covered in each functional area of the CPRI.

On-Site Monitoring Has Recently Increased But Frequency Goal Not Met Over the Long Term

In the 1989 review, JLARC staff found that DSS had not found a way to adjust to a staffing problem (an illness of the prior OCS director) to ensure that on-site monitoring was performed. No staff were hired to perform this function during an eighteen-month period prior to the hiring of a new OCS director. As a result, in the period immediately prior to 1988, a majority of CAAs did not receive an on-site monitoring visit for well over two years.

An assessment of OCS' conduct of on-site monitoring since 1989 indicates that OCS continued to have difficulty in providing an on-going monitoring presence on-site.

Exhibit 5

**Examples of Items from the CPRI
Which are Required to be Reviewed by OCS Monitors**

Functional Area	Examples of Items Required to be Reviewed
Organizational Structure	Is the agency an incorporated not-for-profit or public agency? Does the organizational structure accurately reflect the activities and functions of the CSBG funded programs?
Board Functioning and Decision-Making	Is there any ongoing board training, designed to improve board performance? Does the board meet at least six times per year? Does the board approve annual program budgets and agency policies?
Fiscal Operations and Control	Are duties for fiscal personnel clearly defined? Does the accounting system provide for identifying receipts and expenditures of program funds separately for each grant? Does the agency have an audit firm that conducts an annual audit?
Human Resources Management	Does the agency recruit and utilize volunteers? Do all positions have a written job description?
Program Planning and Evaluation	Does the needs assessment document the severity of the problems in the service area? Is a uniform intake form utilized by all programs within the agency? For each objective in the work program, are activities being carried out?
Delegate Agency Compliance	Does the organizational structure define the program responsibilities of the delegate agency?

Source: JLARC staff review of the Compliance and Program Review Instrument, March 1995.

Although OCS' stated goal for on-site monitoring is one visit every two years, it has not accomplished this revised goal. Over the long-term period from 1989 to 1994, the average frequency of on-site visitation was about once per site per four years.

Specifically, during the six-year period from 1989 to 1994, only 12 of the CAAs and none of the statewide organizations were monitored on-site more than once (Table 11). One agency, the Monticello Area Community Action Agency, was not monitored during that time. The OCS director plans to have the two monitors review every community action agency and statewide organization on-site between 1995 and 1996. Between January 1, 1995 and May 1, 1995, four monitoring visits were conducted by OCS staff, including one with the Monticello Area Community Action Agency.

As in 1989, internal staffing problems (such as turnover) have been cited as a cause of the irregular performance of this responsibility over time. However, this indicates a failure of the department to adjust and respond to meet this need.

OCS NEEDS TO OPERATE MORE EFFICIENTLY AND EFFECTIVELY

The 1989 JLARC report recommended that OCS develop formal procedures for evaluating community action program operations and financial management. It was recommended that these procedures include document reviews and on-site monitoring visits. OCS has responded to this recommendation by implementing an on-site program and financial review process and increasing its collection and review of CAA information.

However, a review of OCS' oversight activities indicates that office priorities and strategy need to be revised. To provide efficient and effective oversight, OCS needs to focus on providing technical assistance, performing more comprehensive on-site program reviews, and conducting more effective in-house oversight. The routine on-site financial review, which is duplicative of the required CAA annual independent audits, should be reduced in scope and incorporated into the program review. With these improvements, OCS staffing levels could be reduced, or some OCS staff time could be used for other DSS duties.

OCS Needs to Reduce and Subsume On-Site Financial Review into On-Site Program Review

While OCS has been more active recently in conducting on-site reviews, most of the reviews conducted have been exclusively financial reviews. Program monitoring visits have been infrequent. Yet, an effective program review has the greatest potential to provide OCS with an overall view of the agency's operations and performance.

Further, the detailed financial review which OCS staff perform on financial monitoring visits appears to be duplicative and fairly ineffective. The financial compo-

Agency	Number of Times Monitored by OCS	Year(s) the Agency Was Monitored
Alexandria (ADHS/DEO)	2	1992, 1994
Arlington (ACAP)	2	1992, 1993
Central Piedmont (CPAC)	1	1993
Clinch Valley (CVCA)	3	1989, 1991, 1994
Eastern Shore (ESAAA/CAA)	2	1989, 1994
Fairfax (FDCA)	1	1994
Fauquier (FCAC)	1	1994
Greene County (GCCAA) ^a	1	1991
Halifax (HCCA)	2	1991, 1994
Lynchburg (LCAG)	1	1993
Monticello (MACAA)	0	N/A
Mountain (MCAP)	3	1989, 1991, 1994
New River (NRCA)	1	1991
Newport News (NNOHA)	3	1991, 1993, 1994
People	1	1991
Pittsylvania (PCCAA)	1	1993
Powhatan/Goochland (PGCAA)	2	1991, 1994
Quin Rivers (QRACA)	2	1989, 1993
Richmond (RCAP)	1	1993
Rooftop	2	1989, 1991
Rural Areas (RADA)	2	1991, 1994
Skyline	1 ^b	1993
Southeastern Tidewater (STOP)	1	1994
Support to Eliminate Poverty (STEP)	2	1991, 1994
Sussex/Surry/Greensville (SSGIA)	2 ^b	1991, 1993
Total Action Against Poverty (TAP)	1	1994
Williamsburg/James City (WJCCCAA)	1	1993
Statewide Organization		
Project Discovery	1	1994
Virginia CARES	1	1994
Virginia Water Project	1	1994

^a The Greene County Community Action Agency was replaced by the Skyline Community Action Agency in 1992.

^b The Skyline monitoring review and the 1993 SSGIA monitoring review were in-house desk reviews of the agencies.

Source: JLARC review of OCS monitoring reports, April 1995.

ment of the CPRI needs to be significantly reduced and subsumed into the program monitor's review. The routine on-site financial review currently conducted by OCS staff is not needed because it is duplicative of the financial audit that is conducted annually for each CAA and statewide organization by an independent public accounting firm.

Financial Reviews Recently Receiving More Attention than Program Reviews. JLARC staff's review of OCS files indicates that prior to 1993, OCS gave very limited attention to either financial or program monitoring visitation (Table 12). The one exception was in 1991, when 12 program reviews were conducted. The overall program review record over the four years from 1989 to 1992 was poor, with an average of less than five visits per year.

Table 12

**Number of Financial and Program Monitoring Reviews
Conducted by Office of Community Services Staff
1989-1994**

<u>Year</u>	<u>Number of Financial Monitoring Reviews</u>	<u>Number of Program Monitoring Reviews</u>
1989	0	5
1990	0	0
1991	0	12 ^a
1992	0	2
1993	9 ^b	1
1994	16	5

^a The program monitor in 1991 and 1992 reviewed financial documents while on-site, but did not complete all financial sections of the CPRI.

^b Two of the 1993 financial reviews were in-house desk reviews of the agencies. All other reviews were on-site.

Source: JLARC staff review of OCS monitoring reports, April 1995.

However, as the table indicates, in 1993 and 1994, substantial priority and attention was devoted to the conduct of financial reviews. The OCS director has indicated that the conduct of these financial reviews is a top priority of the office. Meanwhile, the volume of program reviews conducted by OCS continues to be poor, with only six reviews conducted during 1993 and 1994.

OCS' Conduct of Detailed Audit-Style Financial Monitoring Is Duplicative. The on-site financial review conducted by OCS staff involves a review of items that are also reviewed annually by independent accounting firms. Each community action agency is required to have an annual audit of all finances by an independent accounting firm. CAA financial procedures are also monitored by many of their major funding sources, such as the federal Department of Health and Human Services which funds the Head Start program.

The OCS financial monitor reviews the financial management policies, accounting procedures, payroll operations, financial reporting, travel guidelines, and bid and procurement procedures for each community action agency that is monitored. The review focuses primarily on CSBG funds; however, the review is not limited to these funds. According to OCS staff and several CAA financial staff, the items reviewed by the OCS financial monitor are also reviewed by the independent auditors. Further, the independent auditors' reviews are more comprehensive. The independent auditors review all CAA finances and financial procedures, including CSBG funds.

The OCS director indicated that the reason the OCS financial review duplicates portions of the independent audit is to reduce the number of findings by the independent auditor and by auditors from the major funding sources. As such, the CAA will have a sound financial system and will be better able to solicit funds from the various sources.

However, it is unclear whether the OCS financial reviews are able to significantly reduce the number of independent audit findings. OCS did not have a financial monitor on staff until mid-1993. In FY 1994, 12 of the 29 CAAs and statewide programs were reviewed by the OCS financial monitor. As of April 1995, six of these agencies had submitted copies of their FY 1994 audit to OCS. Five of these agencies were found to have minor problems by both the financial monitor and the independent auditor. However, several financial deficiencies were found during the independent audit of the Eastern Shore Area Agency on Aging/Community Action Agency which were not cited in the OCS financial review:

The Eastern Shore Area Agency on Aging / Community Action Agency (ESAAA / CAA) was reviewed by the OCS financial monitor in February 1994. The findings made by the financial monitor were that year-end closing tasks were not performed in a timely manner, quarterly reports did not contain the number of clients or meals served, and employee performance evaluations needed to be improved. The independent audit of the ESAAA / CAA, conducted following the close of federal FY 1994 had several significant reportable findings that were not mentioned in the OCS report. The audit reported that the agency's annual leave program was inaccurately allocating all accrued annual leave, the agency's Personal Care Program had experienced deficiencies of revenue over expenditure for the past three years, the agency did not have a system in place to record noncash transactions, equipment sales had not been approved by the agency's board of directors, and the agency had an overall fund balance deficit of \$30,743 that the board of directors was not aware of.

In addition, OCS financial reviews of the CAAs are scheduled to occur only once every two years. Therefore, all CAAs will not be reviewed prior to their independent financial audit.

It does not appear that the routine on-site financial review of the CAAs conducted by OCS staff is needed. The independent audit provides a comprehensive

review of all CAA funds and expenditures, including CSBG funds. The on-site financial monitoring conducted by OCS staff does not occur often enough and does not involve a comprehensive enough review to significantly reduce findings made by the independent accounting firms. Instead of focusing so extensively on the biennial on-site financial review, OCS should target its on-site financial reviews to agencies in which they identify financial problems through their in-house monitoring and the independent audits.

In 1991, the OCS program monitor reviewed CAA financial procedures and documents as part of the routine on-site program review. This type of review by the program monitor, along with appropriate provision of technical assistance, in-house financial monitoring, and targeted on-site financial review, should enable OCS to provide effective financial oversight.

Recommendation (14). The Office of Community Services should eliminate its routine on-site financial monitoring of community action agencies and programs. OCS should require the program monitor to conduct a review of appropriate financial documentation as part of the on-site program review. OCS should focus its financial oversight on in-house financial reviews, targeted on-site financial reviews, and technical assistance.

Program Monitoring Needs Greater Focus on Efficiency and Effectiveness

The on-site program review of community action agencies should enable OCS staff to determine the efficiency and effectiveness of the use of community services block grant funds, and to ensure that community action agencies are complying with CSBG requirements for program delivery. However, the review conducted by OCS staff does not adequately satisfy these criteria. The compliance and program review instrument needs to be revised to require the program monitor to conduct an appropriate review.

As previously mentioned, the CPRI requires the OCS program monitor to review, among other things, board functioning and decision-making, human resources management, and program planning and evaluation. The requirements for reviewing board functioning and decision-making and human resources management are adequate for reviewing important issues such as whether the board composition conforms to CSBG guidelines, whether board members have received adequate training, and whether agency personnel policies are adequate.

However, the requirements for the review of program planning and evaluation need to be strengthened. For instance, the CPRI does not require the program monitor to review the efficiency and effectiveness of community action programs that are funded with CSBG funds. The CPRI should be revised to require the program monitor to determine:

- if the programs are serving the number of clients they were projected to serve,
- whether the services have a measurable impact on the clients served,

- if the programs meet the needs of the service area,
- whether the cost of the programs is consistent with similar programs provided by other community action agencies, and
- whether the agency is using adequate performance measures to evaluate its own programs.

In addition, the activities used to complete certain sections of the compliance and program review instrument need to be enhanced to better ensure that CAAs are in compliance with CSBG guidelines. The CPRI contains a “data gathering procedure” for each item on the form. However, the data gathering procedure is often vague. For example:

The CPRI currently requires the program monitor to indicate whether client files document verification of income at or below 125 percent of federal poverty guidelines. The data gathering procedure indicated for this item on the CPRI requires the program monitor to “review documentation in participant files.” However, the OCS program monitor reviews only whether the individual who completed the client intake form has indicated the participant’s income in the file. The OCS program monitor does not review whether the community action agency actually reviews and maintains documentation of income in the client’s file. This review needs to be conducted because CSBG funds are only allowed to be used to fund programs that serve individuals at or below 125 percent of federal poverty guidelines.

* * *

In addition, several items on the CPRI require the program monitor to review client files. These items include: whether a uniform client intake is used, whether a client file exists for each participant, and, as previously mentioned, whether income eligibility is documented. The OCS program monitor indicated that only five to ten client files are reviewed, and that these files are selected by CAA staff. Further, a sample of files from every program provided by an agency are not always reviewed. The JLARC staff review of client files at several community action agencies revealed that some programs within the agencies maintain client files better than others. Therefore, to sufficiently evaluate CPRI items pertaining to client file content, the OCS program monitor needs to personally select the files for review, review a larger sample of files, and review a sample of files from each program provided.

OCS staff need to include on the CPRI, or in other documentation, the specific procedures to be used to complete each item on the CPRI. This will help to ensure that

quality data gathering procedures are consistently used, particularly as different monitors use the instrument.

Recommendation (15). The Office of Community Services should revise the compliance and program review instrument to require that monitoring staff review whether community action agency programs that use CSBG funding are efficient and effective. OCS staff should develop specific criteria for determining a program's efficiency and effectiveness. OCS staff should also determine whether the agency is using adequate performance measures to evaluate its own programs.

Recommendation (16). The Office of Community Services should revise the compliance and program review instrument to require monitoring staff to determine whether community action agencies review and maintain documentation of income eligibility in each client file.

Recommendation (17). The Office of Community Services should revise the compliance and program review instrument so that it describes the specific procedures to be used for reviewing each item on the instrument. In particular, for items that require review of client files, the OCS program monitor should personally select the files for review, review a larger sample of files, and review a sample of files from each program provided at the community action agency.

Written Monitoring Procedures Needed to Promote More Useful Oversight

Other than the compliance and program review instrument, OCS has developed few written procedures guiding the monitoring process. While standard operating procedures for the financial monitoring process have been developed, there are no written procedures for the program monitoring process. Further, following the completion of the on-site monitoring visit, there are no written procedures guiding report development and the follow-up process. Written guidelines need to be developed to help ensure that useful reports are provided to CAAs on a timely basis, and that appropriate follow-up to monitoring visits is conducted and documented.

Written Program Monitoring Procedures Need to Be Developed. The financial monitoring standard operating procedures outline all of the activities to be conducted by the financial monitor prior to and during the on-site monitoring visit. However, there are no such procedures written for the program monitor. In addition, the program monitor has not developed standard written interview guides, data request forms, or file review forms to be used during the monitoring visits. Standard written operating procedures and checklists would help ensure that the program monitor consistently performs adequate monitoring activities. Further, they would be useful instruments to have when substitute or replacement monitors are needed.

Recommendation (18). The Office of Community Services should develop written procedures outlining the activities to be conducted prior to

and during each program monitoring visit. The procedures should include standard interview questions to be asked, data to be requested, and file review forms to be used for each monitoring visit.

Written Guidelines for Report Format and Content Need to Be Developed. Five different monitors have developed written monitoring reports for OCS since 1988. The format and the content of the monitoring reports has varied with each. Program monitoring reports conducted in 1991 were well-organized by functional area and included a clear explanation of concerns and recommendations. However, financial monitoring reports written in 1993 and 1994 were not as well organized or professionally done, potentially making them more difficult to understand and undermining the credibility of the findings. The OCS director indicated that all monitoring reports are reviewed prior to their distribution to the monitored agency, but it appears that the reports need to be reviewed more carefully.

In addition, program monitoring reports written in 1994 include unnecessary and sometimes inaccurate information. For example:

In September 1994, the OCS program monitor conducted a review of the Fauquier Community Action Committee (FCAC). In the monitoring report, the program monitor indicated that she "was struck by the very positive atmosphere that pervades this organization," and that the executive director was "competent and well-qualified." However, FCAC staff indicated that there had been morale problems at the agency since early 1994. Further, the executive director who was hired in April 1994 was forced to resign in March 1995 due to his inability to perform his duties.

Each program monitoring report conducted in 1994 contains narrative information similar to that in the above example which describes the impressions of the program monitor during the on-site visit. This information is not needed in the monitoring report. The report should commend and criticize the CAA based on documented findings from the CPRI review, and provide useful recommendations for improvement.

Therefore, guidelines for the format and content of the reports need to be developed. The guidelines should ensure that findings and recommendations are clearly delineated, that only relevant information is included in the reports, and that the reports are carefully reviewed.

Recommendation (19). The Office of Community Services should develop guidelines for the development of the monitoring reports. The guidelines should specify the report format to be used and the type of information that should be included in the reports. The procedures should also outline an in-house review process to ensure that the documents are professionally prepared.

Reports Need to Be Provided on a More Timely Basis. Guidelines need to be developed requiring that a written report be provided to the CAA within two months of a monitoring visit. The OCS director indicated that all community action agencies are provided with a written monitoring report following an OCS review, and that she would like for the report to be provided within one month of the review. However, report findings are not always provided, and when they are provided they are not always timely. For example:

The Virginia Water Project had been monitored by OCS staff in April 1994. A written report, which included three suggestions for improvement, was provided to JLARC staff in February 1995. However, as of March 1995 Virginia Water Project staff had received no information regarding any findings despite several requests to OCS for a copy of the report.

* * *

The Alexandria Department of Human Services / Division of Economic Opportunities was reviewed by OCS financial and program monitors in December 1994. As of May 1995, no written report had been provided to this community action agency.

* * *

The Fairfax County Department of Community Action was monitored November 29-30, 1994 by OCS financial and program monitors. The written report was not sent to Fairfax staff until March 29, 1995, four months later.

The reports need to be provided on a timely basis so that agencies can receive timely feedback regarding problems that are occurring and corrective action that is needed.

Recommendation (20). The Office of Community Services should develop procedures indicating that written monitoring reports will be provided to agencies within two months of the on-site monitoring visit.

Follow-up Procedures Need to Be Developed. Written requirements also need to be developed to guide and document the monitoring follow-up process. OCS does not have a formal process for following up with CAAs to ensure that on-site inspection recommendations have been implemented. In addition, documentation of follow-up activities is not always maintained.

The Office of Community Services' files for monitoring visits conducted in 1991 and 1992 generally include a copy of the written monitoring report, a copy of the agency response to the report (which often included a list of corrective actions the agency planned to take), and a copy of the OCS reply to the agency response. However, there is no documentation indicating whether corrective action had actually been implemented.

Further, there are no files containing follow-up for monitoring reports written since 1992. The OCS director indicated that there were few significant findings from these monitoring visits and follow-up was conducted informally over the telephone and in-person.

To ensure that community action agencies and statewide organizations are making improvements in response to OCS monitoring visits, written procedures need to be developed to guide and document the follow-up process. The procedures should require that community action agencies and statewide organizations provide a written corrective action plan, if necessary, within one month of their receipt of the monitoring report. Then, OCS should be required to respond in writing regarding whether the corrective action plan addresses the recommendations made. The community action agencies and programs should then be required to submit a written progress report to OCS one year from the date of the monitoring visit. This report should indicate progress toward implementing the corrective actions indicated in the previous report. Since OCS staff have scheduled for community action agencies and programs to be reviewed every two years, they should be required to follow-up on the progress report during the subsequent on-site monitoring visit.

Further, OCS staff should maintain a comprehensive file for each CAA that is monitored which should include at least the following:

- a copy of the written monitoring report,
- a copy of the agency's response to the report,
- a copy of OCS' reply to the agency response, and
- a copy of the agency's progress report toward implementing its corrective action plan.

Having a comprehensive monitoring file for each CAA will better enable OCS staff to monitor problems that were identified, and CAA progress toward correcting the problems.

Recommendation (21). The Office of Community Services should develop written monitoring procedures for following up on monitoring visits. The procedures should specify that the community action agency that is monitored provide a written corrective action plan to the Office of Community Services within one month of receipt of the written monitoring report, that OCS reply in writing to the agency regarding the corrective action plan, and that the agency report its progress toward implementing the corrective action plan to OCS one year from the date of the on-site monitoring visit.

Recommendation (22). The Office of Community Services should maintain comprehensive files of monitoring visits. There should be a file for each CAA monitoring visit, and it should include a copy of the written monitoring report and all subsequent follow-up materials.

OCS Needs to Better Organize its In-House Oversight Activities

Improving the program monitoring process and eliminating the duplicative on-site financial reviews of community action agencies will streamline and enhance the Office of Community Services' ability to determine the efficiency and effectiveness of CAA programs. To further improve OCS' ability to ensure that community action agencies are in compliance with the CSBG guidelines and that CSBG funds are used efficiently, OCS needs to improve several aspects of its in-house oversight of CAAs. In particular, OCS staff need to maintain comprehensive files on each CAA, they need to better ensure the accuracy of the information provided by the community action agencies, and they need to make additional use of this information. In addition, OCS and the DSS Office of Internal Audit need to work together better to ensure timely follow-up of independent audit findings.

OCS Staff Need to Maintain Comprehensive Files on Each CAA. OCS maintains files on each CAA for each fiscal year. However, these files are not complete. According to the OCS director, the files are supposed to include the following documents:

- the agency's complete CSBG application,
- copies of each CSBG financial and program quarterly report,
- a copy of the agency's annual financial audit,
- agency by-laws,
- personnel and fiscal policies,
- insurance papers and articles of incorporation, and
- written minutes from each board meeting.

JLARC staff review of the CAA files revealed that many of these files are incomplete (Figure 2). OCS staff indicated that the missing items from the CSBG applications and the CSBG quarterly fiscal and program reports must have been provided to OCS; otherwise the funding would have been delayed. However, OCS staff were unable to locate the missing reports. OCS staff reported that the other missing items indicated in Figure 2 were not provided by the CAAs. OCS staff also reported that several agencies' by-laws and personnel and fiscal policies were requested and obtained immediately preceding the JLARC file review.

It is important that OCS staff maintain copies of all these documents in their files for several reasons. First, JLARC staff review of OCS' computer data indicated several differences among CSBG expenditure amounts that were supposed to be equal. In addition, there was a data entry error which substantially affected the amount of expenditures reported for one CAA. The hard copy reports are needed to help ensure accuracy of the data entry.

According to OCS staff, another important part of their oversight responsibility is to review all the board meeting minutes. OCS staff indicated that since they are not able to visit every CAA annually, the board meeting minutes provide them with important information regarding the activities of the CAAs, and problems that may be arising. The CSBG guidelines indicate that, "Copies of minutes of all board meetings

Figure 2

Completeness of Files at the Office of Community Services

CAA	CSBG Contract	CSBG Quarterly Reports	FY 1994 Audit	Agency By-Laws	Insurance Papers and Articles of Incorporation	Personnel and Fiscal Policies	Board Minutes
Alexandria	●	⊕	●	●	N/A*	N/A*	●
Arlington	⊕	⊕	●	●	●	●	○
Central Piedmont	⊕	●	○	●	●	●	⊕
Clinch Valley	●	●	●	●	●	●	○
Eastern Shore	●	⊕	●	●	●	●	⊕
Fairfax	●	⊕	●	N/A**	N/A*	N/A*	●
Fauquier	●	⊕	●	●	⊕	●	⊕
Halifax	●	●	●	●	●	●	⊕
Lynchburg	●	●	○	●	●	●	⊕
Monticello	●	●	○	●	●	●	⊕
Mountain	●	⊕	●	●	●	●	⊕
Newport News	●	⊕	○	●	●	●	⊕
New River	●	●	●	●	●	●	●
People	●	⊕	●	●	●	●	⊕
Pittsylvania	●	●	●	●	●	●	⊕
Powhatan-Goochland	●	●	●	●	●	●	⊕
Quin Rivers	●	●	○	●	●	●	●
Richmond	●	●	○	●	●	●	⊕
Rooftop	●	●	●	●	●	●	●
Rural Areas	●	●	●	●	⊕	●	⊕
Skyline	●	●	○	●	●	●	⊕
Southeastern Tidewater	⊕	●	○	○	●	●	⊕
STEP	●	⊕	●	●	●	●	⊕
SSGIA	●	⊕	○	●	○	⊕	⊕
TAP	⊕	●	●	●	●	●	●
Williamsburg	⊕	●	●	●	⊕	●	⊕
<u>Statewide Organization</u>							
Project Discovery	●	⊕	●	●	●	●	⊕
Virginia CARES	●	⊕	●	●	○	⊕	⊕
Virginia Water Project	●	⊕	●	●	●	●	⊕
KEY: ● = Complete ⊕ = Partially Complete ○ = Missing or Substantially Incomplete							
*Agencies are part of local government. Therefore, personnel and fiscal policies are part of local government policies and are not required to be in OCS files. Insurance papers and articles of incorporation are also not required.							
**Bylaws are in the process of being revised.							
Source: JLARC review of OCS files, March 1995.							

shall be received by VDSS no later than thirty (30) days following board approval. (Failure to do so may result in suspension of funding under the CSBG contract.)” However, as Figure 2 indicates, only six of the 26 CAAs submitted minutes for all board meetings held during FY 1994. OCS staff indicated that funding has not been delayed to any CAA due to a failure to submit board meeting minutes.

As of April 1995, nine of the CAAs had not provided OCS with a copy of their FY 1994 independent audit. While CSBG guidelines require that CAAs provide OCS with copies of their independent audit within ninety days of the end of the State fiscal year, the Single Audit Act requires an independent audit to be completed within 13 months of the end of the fiscal year. OCS staff indicate that the 90-day requirement has not been enforced since the Single Audit Act was passed, and they generally expect to receive an audit within six months following the end of the fiscal year. It appears that most CAAs are able to provide OCS with audits within the six-month period. Therefore, OCS should revise the CSBG guidelines to encourage CAAs to provide copies of their audit to OCS within six months following the end of the fiscal year.

To ensure that their files are complete, OCS staff need to maintain a checklist of all items that are supposed to be in the CAA files. This checklist should be filled out quarterly, and each CAA should be contacted on a quarterly basis to provide missing documents. Contact sheets should be maintained which indicate the date of each contact with each CAA that involves a request or clarification of information, the name of the person contacted, and the reason for the contact. The contact sheet, and all information provided to OCS should be maintained in the appropriate CAA file to avoid misplacement. Having all the documents available will significantly enhance OCS’ ability to provide oversight. The quality of oversight, however, will still depend on whether OCS makes effective use of the documents.

Recommendation (23). The Office of Community Services should complete a checklist quarterly to determine if any information is missing from the community action agency files. OCS staff should contact the community action agencies on a quarterly basis to request missing documents, and maintain a contact sheet which should indicate the date of each contact with the CAA that involves a request or clarification of information, the name of the person contacted, and the reason for the contact. Office of Community Services staff should be required to maintain the contact sheet and all information received from the CAAs in the central CAA files.

Recommendation (24). The Office of Community Services should revise the CSBG Policy and Procedures Guidelines to encourage community action agencies to submit their annual audit within six months of the end of the fiscal year, and to require the agencies to submit their annual audit within 13 months of the end of the fiscal year.

OCS Staff Need to Ensure the Accuracy of Information Received. In addition to ensuring that they receive all relevant information from the CAAs, OCS staff need to ensure its accuracy. As indicated in the previous chapter, financial and program

information provided by CAAs to JLARC were inconsistent with information they provided to OCS. Therefore, as previously indicated, OCS staff should specify the information to be provided, carefully review the information received, and follow up with CAAs when necessary to determine whether instructions have been followed and whether the data provided are accurate.

OCS Staff Need to Better Utilize the Information Received. To conduct more effective in-house oversight of the CAAs, OCS staff need to make better use of the information they currently receive. OCS staff produce a report which indicates the amount of federal and State CSBG expenditures by quarter, and they monitor these expenditures on a quarterly basis. However, OCS staff do not use much of the other data that are regularly provided by the CAAs.

For example, OCS collects information on all other funding received by each CAA through the CSBG Quarterly Resource Report. However, this information is not collected in a usable form, and it is not used by OCS staff. The CSBG Quarterly Resource Report does not break down the funding sources by private, local, State, or federal, and the instructions for completing the report do not define whether in-kind contributions should be included.

An OCS employee responsible for reviewing this information indicated that he would not be able to determine the actual source of the funds from the information provided. In fact, to obtain FY 1994 funding totals for the FY 1995 CSBG State Plan which was provided to the federal Department of Health and Human Services, OCS staff conducted a survey of CAAs rather than use the CSBG Quarterly Resource Report information.

OCS should require the CAAs to provide this information in a usable format. OCS staff should then use this information to determine all funding sources and the total amount of funding for each community action agency. This will enable OCS staff to determine how well each CAA is able to leverage funds from private, local, and other State and federal sources. OCS staff could then follow up to determine whether there are organizational viability problems with the CAA, and they could assist the CAA in applying for funds.

Further, OCS attempts to collect annual demographic information on clients served from each CAA as part of the fourth quarter CSBG quarterly report. However, this information is not provided by all CAAs, and the information that is provided is not used by OCS for its oversight of CAAs. Some of the information from the participant demographic report is useful. The report provides several indications of the types of clients served. OCS could use this information to determine the income level of the clients served by the CAAs, and whether the types of clients served correspond to the types of services prioritized in the needs assessments. For example, if elderly services are identified as a priority in the needs assessment, OCS staff could analyze the participant demographic report to determine what percentage of individuals served are elderly. Therefore, OCS staff should ensure that this information is received, and they should use this information as part of their oversight of the CAAs.

Recommendation (25). The Office of Community Services should revise the CSBG Quarterly Resource Report (CSBG quarterly reporting form 92-14) to ensure that this funding information is provided in a usable format. Office of Community Services staff should compile and analyze this information along with the other quarterly CSBG financial information.

Recommendation (26). The Office of Community Services should compile and analyze the information obtained from the program participant demographic report as part of its oversight of community action agencies.

Audit Follow-up Needs to Be More Timely. OCS and the DSS Office of Internal Audit (OIA) work together to follow up on findings cited in the annual independent audits of community action agencies and statewide organizations. This process ensures that audit problems are resolved. However, the timeliness of audit follow-up needs to be improved.

OIA auditors are responsible for reviewing all of the independent audits conducted for CAAs and statewide organizations. If corrections need to be made, the OIA auditors inform OCS staff, who are then responsible for informing the agencies of the need for corrective action, and for ensuring that corrective action is taken. OIA staff then review the corrective action taken and determine whether the problem has been adequately addressed.

While this process has generally resolved audit problems, the reviews have not always been conducted on a timely basis. Ideally, the audits should be reviewed at least one month prior to the end of the following fiscal year. This would provide enough time to make corrections prior to the agencies' subsequent annual audit. However, only six of the 27 FY 1993 independent audits were reviewed prior to June 1, 1994 (Appendix C). (The Alexandria and Fairfax CAAs were reviewed separately and are not included because their audits are incorporated within their locality's audit). Further, as of April 1995 only ten of the FY 1994 independent audits have been reviewed by OIA staff.

One reason for the delay is that OIA staff do not always receive the audits in time to review them prior to the end of the following fiscal year. For example, of the 21 FY 1993 audits that were reviewed after the close of FY 1994, only seven were received prior to June 1, 1994. The Single Audit Act requires an independent audit to be conducted within 13 months of the end of the fiscal year. Therefore, some audits are not received until after the following fiscal year has ended.

The seven FY 1993 audits received prior to June 1, 1994 were not reviewed on a timely basis because OIA staff were working on revisions of audit policies within OIA. Further, the review of several FY 1994 audits may not be completed prior to the end of FY 1995 because OCS has not been providing OIA with copies of all audits when they receive them from the agencies. As of April 1995, OCS had received 19 audits from the CAAs and statewide organizations. At that time, OCS had provided OIA with only ten of these audits. OCS staff should provide a copy of every independent audit received to OIA as soon as it is received. Further, OIA should make it a priority to review every

independent audit received prior to the following fiscal year. This will help ensure that corrective actions will be taken by the agencies prior to their next annual independent audit.

Recommendation (27). The Office of Community Services should provide the Office of Internal Audit with a copy of all independent audits as soon as they are received. The Office of Internal Audit should make it a priority to review every independent audit prior to the close of the following fiscal year.

A Reorganization of the Office of Community Services Needs to Be Considered

The Office of Community Services is responsible for oversight of CAAs and administration of the Neighborhood Assistance Program. Although the traditional focus of OCS has been on CAAs, increasingly OCS staff have been assigned additional duties on an ad hoc basis by the Commissioner of Social Services. For example, the OCS director is currently involved in the welfare reform efforts being undertaken by the agency.

This report has focused on OCS' traditional role as overseer of the community action system in Virginia. In this role, the need for reprioritizing OCS activities has been addressed. In particular, the routine on-site financial monitoring currently being conducted by OCS is not needed. Instead, OCS should focus its financial oversight on: in-house review of CAA financial data, such as CSBG expenditure reports and annual independent audits; on-site investigations of financial problems identified through its in-house oversight efforts; and provision of technical assistance to help CAAs avoid financial problems in the future. In addition to this type of financial oversight, OCS should focus on on-site and in-house program monitoring. It appears that these duties could be performed by two staff rather than the three staff currently assigned full-time to CAA oversight.

This refocusing of CAA-related duties would result in a more efficient and effective use of OCS staff resources. It would free up staff time for additional duties that may be assigned by the Commissioner, or alternatively, allow for a reduction in staffing levels at OCS. However, before this staff time is assigned or eliminated, the role and priorities of OCS need to be clearly defined by the Commissioner of Social Services and the OCS director. The assignment or elimination of this staff time should then be guided by OCS' identified role and priorities.

Recommendation (28). The Commissioner of Social Services should review the priorities, staffing, and workload of OCS to determine if adjustments are needed in staffing assignments or staffing levels. Further, the Commissioner and OCS director should clearly define the role and priorities of OCS.

APPLICATION OF DISTRIBUTION FORMULA FOR CSBG FUNDS NEEDS TO BE REVISED

The Office of Community Services is also responsible for distributing federal and State CSBG funds to the community action agencies and statewide organizations. For FY 1995, OCS distributed approximately \$7.9 million to the CAAs and \$318,000 to the statewide organizations. The General Assembly recently approved a new funding formula to provide for a more equitable distribution of funds to CAAs. However, for FY 1995, only a small portion of the CSBG funds were distributed using this formula. Additional changes in the distribution process are needed so that equitable amounts are provided to the CAAs. The distribution of funds to the statewide organizations also needs to be more equitable.

Distribution of Funds to CAAs Needs to Be More Equitable

The 1989 JLARC report on community action in Virginia indicated that the formula used to distribute the federal and State CSBG funds had an inappropriate emphasis on historical funding, did not ensure equitable funding to the CAAs, and did not comply with the *Code of Virginia* requirement to include the percentage of low-income persons in the formula. The report recommended that the historical factor be phased out of the funding formula within three years. While minor changes to the funding distribution process have been implemented for the last two fiscal years, the historical factor has not been phased out, and additional changes are needed to ensure equitable funding to the CAAs.

CSBG funds from FY 1990 through FY 1993 continued to be distributed solely on a historical basis. For FY 1994, a minor modification to the formula was incorporated. Federal CSBG funds and the amount of State CSBG funds received in FY 1993 were still distributed historically. However, "new" State CSBG funds (State funds received above the amount received in FY 1993) were distributed based on the following formula:

- 75 percent poverty population,
- 20 percent number of localities served, and
- five percent square miles of service area.

The State CSBG funds received in FY 1994 above the amount received in FY 1993 represented only 3.5 percent of the total federal and State CSBG funding for that fiscal year. As a result, only the Southeastern Tidewater Opportunity Project (STOP) had a major increase in the percentage of funds received for FY 1994 (Table 13). Pittsylvania's percentage of funds received increased from FY 1988 to FY 1994 because it merged with the Danville Community Improvement Council in 1992.

The FY 1995 Appropriation Act required new federal CSBG funds, in addition to new State CSBG funds, to be distributed using the new formula. In addition, upon the

Table 13

Comparison of the Percentage of Federal and State CSBG Funds Received by Each Community Action Agency

Agency	Percent of Funds Received FY 1988	Percent of Funds Received FY 1994	Percent of Funds Received FY 1995
Alexandria (ADHS/DEO)	2.4%	2.4%	2.2%
Arlington (ACAP)	2.4	2.4	2.3
Central Piedmont (CPAC)	4.0	3.9	3.7
Clinch Valley (CVCA)	2.6	2.5	2.4
Eastern Shore (ESAAA/CAA)	2.3	2.3	2.2
Fairfax (FDCA)	3.0	3.1	3.9
Fauquier (FCAC)	2.4	2.3	2.2
Halifax (HCCA)	2.4	2.4	2.2
Lynchburg (LCAG)	3.8	3.8	4.0
Monticello (MACAA)	4.7	4.7	4.6
Mountain (MCAP)	3.0	3.0	2.8
New River (NRCA)	3.6	3.6	4.4
Newport News (NNOHA)	5.5	5.6	5.7
People	3.2	3.3	4.6
Pittsylvania (PCCAA)	2.9	5.3	5.2
Powhatan/Goochland (PGCAA)	2.3	2.2	2.1
Quin Rivers (QRACA)	3.6	3.5	3.3
Richmond (RCAP)	7.6	7.6	7.2
Rooftop	2.6	2.6	2.4
Rural Areas (RADA)	2.7	2.7	2.9
Skyline	-	1.5	2.1
Southeastern Tidewater (STOP)	10.7	11.1	10.9
Support to Eliminate Poverty (STEP)	2.7	2.7	2.5
Sussex/Surry/Greenville (SSGIA)	2.3	2.3	2.2
Total Action Against Poverty (TAP)	10.7	10.6	10.0
Williamsburg/James City (WJCCCAA)	2.4	2.4	2.2

Key: Shaded CAAs had major changes in the percentage of funds received in FY 1994 or FY 1995.

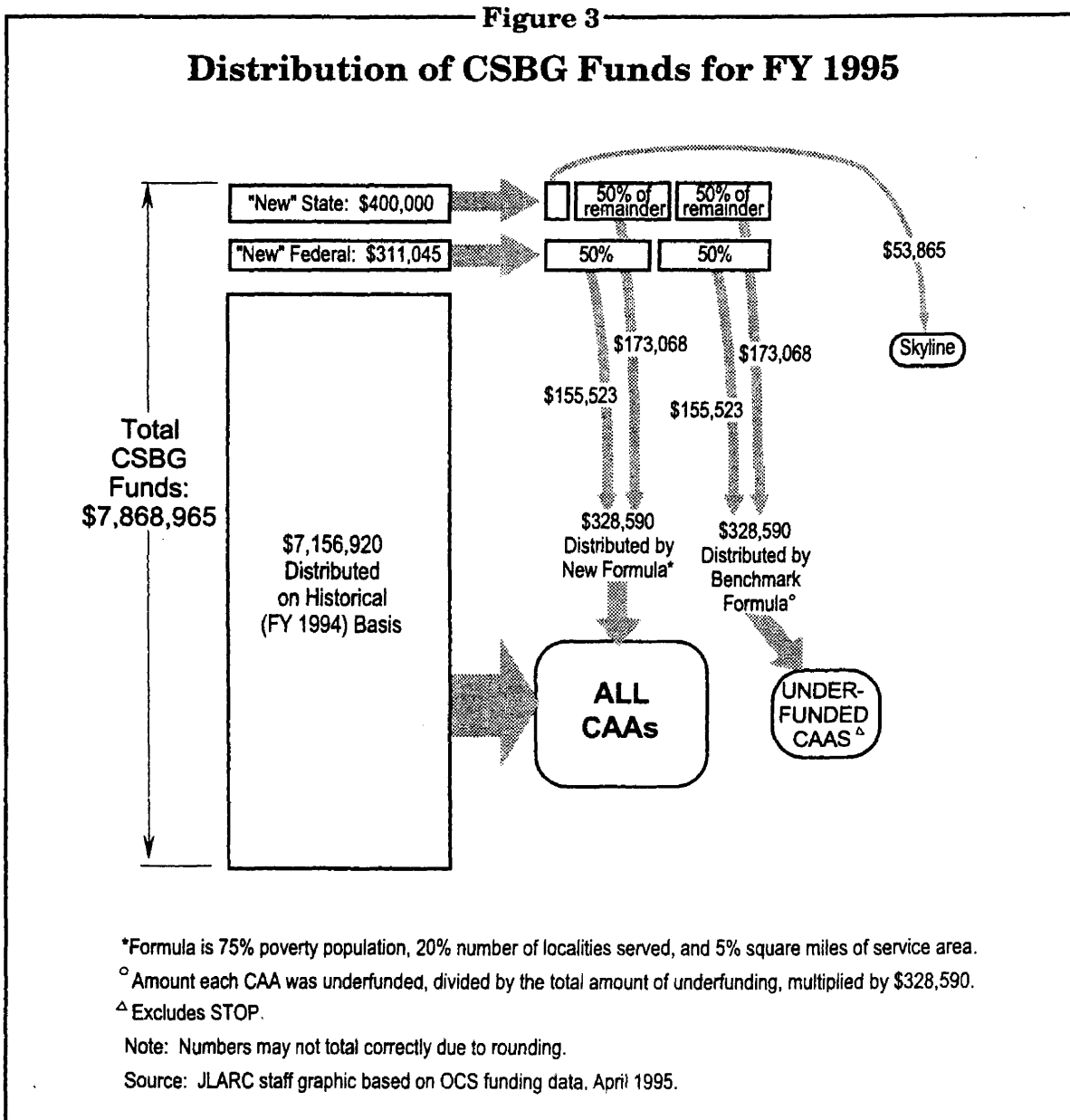
Notes: Numbers do not add to 100 percent due to rounding.

In FY 1988 the Danville Community Action Council received 2.4 percent and the Greene County Community Action Agency received 1.5 percent of CSBG funds. These agencies no longer exist.

The Skyline Community Action Program did not exist in FY 1988.

Source: JLARC review of OCS funding data, the 1995 CSBG State Plan, and the 1989 JLARC report on community action in Virginia.

direction of the General Assembly, OCS incorporated several steps into the distribution process of new CSBG funds to assist CAAs that OCS determined to be underfunded relative to their poverty population, localities served, and square miles of service area (Figure 3). First, the Skyline Community Action Program was allocated \$53,865 of the new State CSBG funds as floor funding to bring it up to the level of the smaller CAAs. Then, one-half of the remaining new State CSBG funds and one-half of the new federal CSBG funds were distributed to all the CAAs using the new formula.



OCS staff then created a benchmark funding level, which was the amount of funding each CAA would have received if all CSBG funds were distributed using the new formula. The benchmark was compared to the amount each CAA would have received at this point (without the rest of the new federal and State CSBG funds being distributed). The remaining federal and State CSBG funds were distributed to all but one CAA that would have received funding below their benchmark. The CAAs receiving these funds were: Fairfax, Lynchburg, Monticello, New River, Newport News, People, Pittsylvania, and Rural Areas. The percentage of funds received by these CAAs was based on the amount each was underfunded (relative to its benchmark or formula-driven amount) divided by the total amount these CAAs were underfunded. STOP was not included in the underfunded agencies because it was significantly underfunded and would have received more than one-half of the remaining funds had it been included.

As a result of the change in the funding formula for FY 1995, four agencies (Fairfax, New River, People, and Skyline) had major increases in their percentage share of FY 1995 funding. The Richmond Community Action Program and TAP are the only agencies that had major decreases in the percentage of CSBG funds received. Although STOP had an increase in FY 1994, its percentage of CSBG funds received decreased in FY 1995. However, no agency had a decrease in the amount of funds received.

Therefore, the attempt to increase the percentage of funds received by underfunded agencies has been somewhat successful. However, the funding distribution still needs to be more equitable. Several agencies received significantly less CSBG funds in FY 1995 than they would have received if all funding were distributed using the poverty-based formula, and others received more (Appendix D). For example:

STOP, which serves nearly one-quarter of the poverty population in Virginia, would have received \$1,586,507 if all CSBG funds were disbursed under the new formula. However, STOP received only \$859,402 in FY 1995.

* * *

People would have received \$478,305 had all CSBG funds been distributed under the new formula. However, People received only \$359,546 in FY 1995.

* * *

Fauquier received \$170,236 in CSBG funds in FY 1995. Under the new formula, Fauquier would have received \$56,024.

Assuming that the amount of CSBG funding continues to increase during the next few fiscal years, the State should take additional steps to bring underfunded agencies close to their benchmark more rapidly. First, funding should be frozen at current levels for all agencies funded above their benchmark amount. This will reduce the percentage of total funds received by each of the agencies. STOP should receive at

least the same percentage of the funds as the previous year, thereby increasing its funding. The remaining funds should be distributed to the other underfunded agencies. Therefore, while only 50 percent of the new funds are currently earmarked for the underfunded agencies, all of the new funds would be earmarked for the underfunded agencies using this process.

Further, the benchmark comparison process should be revised. As previously mentioned, for FY 1995 OCS staff compared the benchmark — which was the amount each agency would have received if all CSBG funds were distributed using the new formula — to the amount each CAA would have received without the rest of the new federal and State CSBG funds being distributed. Since this involves a comparison between a process in which all the funds are distributed and a process in which not all the funds are distributed, it will not be possible for all CAAs to reach their benchmarks. Therefore, OCS staff should use a benchmark comparison process which compares the previous fiscal year's total funding for each CAA to what the previous fiscal year's funding would have been if all funds were distributed based on the new formula.

OCS should analyze the CAAs' funding amounts annually to determine their proximity to their benchmark. Once all agencies, except STOP, meet their benchmark amounts the new formula should be used exclusively to fund these CAAs each year. OCS should determine an appropriate percentage of funds to be distributed to STOP.

Recommendation (29). Assuming that the amount of CSBG funding continues to increase during the next few fiscal years, the General Assembly may wish to revise the CSBG fund distribution process to achieve greater equity among the community action agencies.

Distribution of CSBG Funds to Community Action Statewide Organizations Should be Reviewed

State law requires that at least five percent of the federal CSBG funds be distributed to community action statewide organizations. Three statewide programs receive these funds — Virginia CARES, Project Discovery, and Virginia Water Project. As previously noted, the Comprehensive Health Investment Project of Virginia does not receive any federal CSBG or State funds.

A total of \$318,205 in CSBG funds were distributed to the statewide programs in FY 1995. The Virginia Water Project received 87.7 percent of this amount (Table 14). Project Discovery received 6.7 percent, and Virginia CARES received the remaining 5.6 percent of funds. OCS reported that distribution of the funds to the statewide programs is historically based. Therefore, the percentage of funds received by each statewide program remains the same from year to year.

According to the OCS director, this approach has been used since prior to her tenure at OCS. This method of distributing funds to the statewide programs appears to continue past and present inequities into the future. There is no clear reason why the

Table 14

Federal CSBG Funds Received by Each Community Action Statewide Program

<u>Statewide Program</u>	<u>Funds Received in FY 1988*</u>	<u>Funds Received in FY 1995</u>
Virginia Water Project	\$263,652	\$279,327
Project Discovery	20,000	21,190
Virginia CARES	16,696	17,688

*The starting and ending dates for fiscal year 1988 varied for each program.

Source: Department of Social Services, Office of Community Services, April 1995.

Virginia Water Project receives such a large percentage of the CSBG funds set aside for the statewide programs. Their substantial share of the funding appears to be the result of that program being the first statewide program to receive CSBG funding. Likewise, there is no rationale for why Project Discovery and Virginia CARES receive the percentage shares they do.

OCS should develop an alternative to the historic based method for distributing CSBG funds to these programs. Factors such as the number of low-income people served by each program, the specific uses of the funds, and the number of CAAs that provide the program should be considered in OCS' funding decisions. In modifying the distribution method, OCS should solicit input from the statewide programs regarding alternative factors that should be considered.

Recommendation (30). The Office of Community Services should review its method of distributing federal CSBG funds to the community action statewide programs. OCS should develop criteria (other than historic funding patterns) to use in distributing the funds to the statewide programs. Criteria to consider include the number of low-income people served, the proposed specific uses of the funding, and the number of CAAs that provide the program.

IMPROVEMENTS NEEDED FOR OVERSIGHT OF STATEWIDE COMMUNITY ACTION ORGANIZATIONS BY STATE AGENCIES

In addition to DSS, three other State agencies are involved in funding and overseeing selected community action programs. The Department of Education (DOE) provides funding and oversight for Project Discovery. The Department of Criminal Justice Services (DCJS) funds and monitors Virginia CARES. And, the Department of Housing and Community Development (DHCD) oversees the Virginia Water Project. (DHCD also oversees the Weatherization Program which is provided by most of the CAAs.)

The 1989 JLARC report found that these State agencies were generally providing adequate oversight of the statewide programs. However, two problems were noted regarding the oversight. First, the State agencies did not coordinate their monitoring activities with DSS. Second, the funding formula used by Project Discovery to fund the individual programs was inequitable and needed to be revised by DOE.

The current review found that the level of monitoring by these agencies has varied over time, and in some cases could be strengthened. In particular, DSS and the other State agencies still need to coordinate their oversight activities to avoid duplication of effort. With regard to the funding of individual Project Discovery programs, JLARC staff found that DOE has worked with Project Discovery to develop an equitable funding formula.

State Agencies Need to Coordinate Their Oversight of Statewide Community Action Programs

The 1989 JLARC review found that State agency oversight of the statewide organizations varied from minimal monitoring by DSS to regular on-site reviews by DOE and DCJS. Over time, the level of monitoring by each of these agencies has changed. DOE no longer conducts on-site monitoring, and DCJS conducts on-site reviews only occasionally (Table 15). DHCD, which in 1988 did not review the Virginia Water Project on-site, now conducts on-site reviews of that organization as well as each local weatherization program at least once a year. Further, DSS has recently begun to review all three statewide organizations on-site.

All of the State agencies require periodic reports on program activities and expenditures and copies of independent financial audits. None of the agencies communicate their oversight findings with each other.

This lack of communication between DSS and the other State agencies results in duplication of effort. For example, both DOE and DSS review the financial audits of Project Discovery. Both agencies follow up with Project Discovery on audit findings. If DOE and DSS coordinated their follow-up efforts, less time in total would be spent by the State agencies, as well as by Project Discovery, in resolving audit problems.

Likewise, on-site monitoring could be coordinated between DSS and the other agencies such that only one State agency would conduct the on-site reviews of each statewide organization. The agency conducting the review would then share its results, in written form, with the other relevant State agency. This approach would ensure that each statewide organization is periodically being monitored on-site while avoiding duplication in major oversight activities.

Recommendation (31). DSS, DOE, DCJS, and DHCD staff responsible for oversight of the statewide community action organizations should coordinate their oversight activities with regard to the statewide organizations to avoid duplication of effort, particularly with regard to on-site monitoring and

Monitoring of Statewide Community Action Organizations by State Agencies		
Statewide Community Action Organization	State Agency Responsible for Monitoring	Monitoring Conducted by State Agency
Project Discovery	Department of Education	<ul style="list-style-type: none"> • requires submission of quarterly reports detailing program activities and expenditures • requires submission of annual independent financial audit
Virginia CARES	Department of Criminal Justice Services	<ul style="list-style-type: none"> • requires submission of quarterly reports detailing program activities and expenditures • requires submission of annual independent financial audit • conducts periodic on-site monitoring of central administration office
Virginia Water Project	Department of Housing and Community Development	<ul style="list-style-type: none"> • requires submission of quarterly reports detailing program activities and expenditures • requires submission of annual independent financial audit • conducts on-site monitoring of central administration office once a year using standard written monitoring procedures; written results sent to Virginia Water Project
Project Discovery, Virginia CARES, and Virginia Water Project	Department of Social Services	<ul style="list-style-type: none"> • requires submission of quarterly reports detailing program activities and expenditures • requires submission of annual independent financial audit • conducts on-site monitoring of each local program once every two years

Source: Interviews with State agency monitors and statewide community action organizations, April 1995.

follow-up of financial audit findings. The results of on-site monitoring by an agency should be shared with other relevant agencies.

Project Discovery Funding Formula Has Been Revised

At the time of the 1989 review, Project Discovery had recently established a formula to be used to fund the individual Project Discovery programs. Previous to the formula, programs were told to "think how much it would take to run a program and then ask for that amount." The new formula, however, was also flawed. It assigned arbitrary dollar amounts loosely derived from the estimated number of staff hours spent with each student. JLARC staff recommended that DOE work with Project Discovery to design and implement an equitable funding formula.

DOE developed a new funding formula in 1990. After reviewing previous allocations and per pupil costs for each local program, DOE staff set the formula at \$400 per student enrolled in the program. The formula was incorporated into the Appropriation Act in 1991. This new formula more equitably distributes Project Discovery funding to the individual programs than any of the previous methods used to distribute Project Discovery funding.

Appendixes

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Appendix A

Study Mandate

Item 15C - 1994 Appropriation Act

Community Action Agencies and Programs

The Joint Legislative Audit and Review Commission shall conduct a follow-up study of its 1989 review of community action agencies and programs in Virginia. The follow-up study shall focus primarily on, but not be limited to, actions taken in response to the 1989 JLARC recommendations concerning: (1) State oversight of community action agencies; and (2) financial and program accountability of the community action agencies.

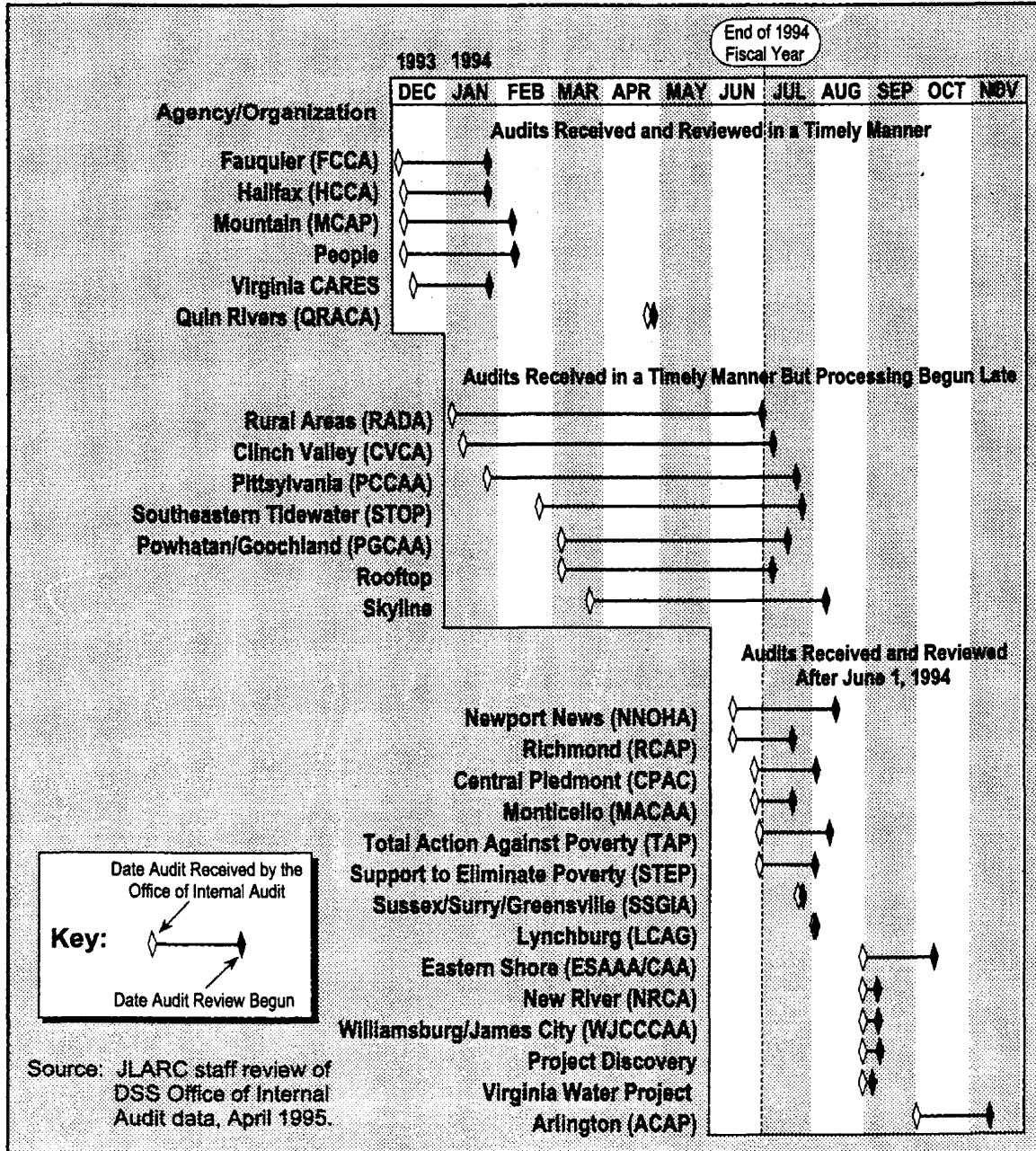
Appendix B
Community Action Agency Funding
FY 1989 to FY 1994

Community Action Agency	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
Alexandria (ADHS/DEO)	\$1,201,975	\$1,780,939	\$2,057,792	\$2,161,517	\$2,299,522	\$2,483,273
Arlington (ACAP)	1,728,859	1,859,786	2,201,134	2,289,344	2,163,928	2,017,152
Central Piedmont (CPAC)	2,000,709	2,271,724	2,046,774	2,044,147	2,481,145	2,127,505
Clinch Valley (CVCA)	1,171,941	1,276,018	1,510,724	1,732,337	1,732,563	1,937,326
Eastern Shore (ESAAA/CAA)*	289,155	292,683	338,280	334,433	307,695	1,050,624
Fairfax (FDCA)	2,755,800	3,228,650	3,481,007	3,467,947	3,077,781	3,572,376
Fauquier (FCAC)	305,169	590,858	897,107	1,128,970	911,291	1,007,342
Halifax (HCCA)	1,261,000	1,268,325	1,912,333	2,808,454	2,601,678	1,344,912
Lynchburg (LCAG)	1,662,906	2,196,497	2,327,393	2,364,163	1,932,954	2,071,357
Monticello (MACAA)	1,459,432	1,860,091	2,013,696	2,751,663	2,825,317	2,837,422
Mountain (MGAP)	1,629,324	1,765,465	1,982,942	2,156,751	2,363,258	2,669,374
New River (NRCA)	2,071,202	2,498,491	2,720,403	3,131,951	3,398,251	3,498,030
Newport News (NNOHA)	1,532,366	2,024,981	2,187,209	2,819,245	2,306,839	2,415,543
People	1,600,000	1,674,097	2,382,091	2,982,137	2,862,073	3,181,586
Pittsylvania (PCCA)	2,515,507	2,589,047	2,237,976	3,295,845	3,358,724	3,054,380
Powhatan-Goochland (PGCAA)	401,216	601,909	472,764	738,276	750,821	566,824
Quin Rivers (QRACA)	N/A	N/A	762,422	776,910	842,425	733,750
Richmond (RCAP)	2,375,068	3,219,348	4,109,941	4,072,885	4,068,228	4,356,111
Rooftop	1,329,197	1,325,766	1,507,903	1,347,946	1,434,112	1,561,830
Rural Areas (RADA)	152,102	1,186,480	1,274,049	1,238,822	1,335,500	727,523
Skyline	N/A	N/A	N/A	N/A ^u	219,922	830,401
Southeastern Tidewater (STOP)	4,253,646	5,672,690	5,191,549	7,186,254	7,895,032	7,431,572
Support to Eliminate Poverty (STEP)	439,194	432,197	828,715	1,173,737	1,116,220	1,202,992
Sussex/Surry/Greenville (SSGIA)	426,419	429,916	406,307	921,050	969,469	980,815
Total Action Against Poverty (TAP)	6,180,195	6,733,396	7,601,826	10,255,761	9,117,200	8,234,876
Williamsburg-James City (WJCCCAA)	867,859	815,461	907,536	1,081,526	1,107,333	1,328,107
TOTAL	39,609,241	47,594,815	53,359,873	64,263,071	63,479,181	63,223,003

* Health start funds are not included in ESAAA/CAA funding totals for FY 1989 to FY

Appendix C

Reception and Review of FY 1993 Audits by the Office of Internal Audit



Appendix D

Comparison of the Amount of CSBG Funds Each CAA Received in FY 1995 to Its Benchmark

Agency	CSBG Funds Received FY 1995	CSBG Fund Benchmark FY 1995*	Difference
Alexandria (ADHS/DEO)	\$174,492	\$113,872	+\$60,620
Arlington (CAP)	178,382	166,643	+11,739
Central Piedmont (CPAC)	289,344	193,739	+95,605
Clinch Valley (CVCA)	187,860	136,616	+51,244
Eastern Shore (ESAAA/CAA)	171,684	170,790	+894
Fairfax (FDCA)	303,308	380,624	-77,316
Fauquier (FCCA)	170,236	56,024	+114,212
Halifax (HCCA)	175,073	121,626	+53,447
Lynchburg (LCAG)	315,596	349,078	-33,482
Monticello (MACAA)	359,997	365,618	-5,631
Mountain (MCAP)	222,601	209,711	+12,890
New River (NRCA)	347,807	427,965	-80,158
Newport News (NNOHA)	450,063	486,633	-36,570
People	359,546	476,305	-116,759
Pittsylvania (PCCAA)	405,493	412,878	-7,385
Powhatan/Goochland (PGCAA)	164,199	69,629	+94,570
Quin Rivers (QRACA)	258,724	154,976	+103,748
Richmond (RCAP)	564,108	483,629	+80,479
Rooftop	190,371	170,647	+19,724
Rural Areas (RADA)	226,177	248,723	-22,546
Skyline	163,466	79,184	+84,282
Southeastern Tidewater (STOP)	856,402	1,586,507	-727,105
Support to Eliminate Poverty (STEP)	198,907	143,034	+55,873
Sussex/Surry/Greenville (SSGIA)	170,796	158,520	+12,276
Total Action Against Poverty (TAP)	787,851	616,331	+171,520
Williamsburg/James City (WJCCCAA)	172,492	86,664	+85,828

* The benchmark is the amount each agency would have received if all CSBG funds were distributed based on the following formula: 75 percent poverty population, 20 percent number of localities served, and five percent square miles of service area.

Note: Shaded agencies are agencies that received funds less than their benchmark.

Source: JLARC analysis of CSBG funding data, May 1995.

Appendix E

Agency Responses

As part of an extensive data validation process, each agency involved in a JLARC assessment effort is given the opportunity to comment on an exposure draft of the report. Appropriate technical corrections resulting from the written comments have been made in this version of the report. Page references in the responses relate to an earlier exposure draft and may not correspond to page numbers in this version of the report.

This appendix contains the responses of the Department of Social Services and the Virginia Association of Community Action Agencies. Responses from ten of the community action agencies were also received, which are on file at the JLARC staff offices and may be inspected upon request.

DEPARTMENT OF SOCIAL SERVICES RESPONSE
TO JLARC RECOMMENDATIONS
FOLLOW-UP REVIEW OF COMMUNITY ACTION IN VIRGINIA

RECOMMENDATION 1

"Community Action agencies, in cooperation with the Office of Community Services, should work to develop measures appropriate to Virginia to assess the outcomes of community action programs and the achievement of overall community action goals. Data concerning these measures should be collected by all CAAs on a regular basis and reported to OCS for evaluation of program effectiveness."

Response: The Office of Community Services agrees that measuring outcomes is a better and more appropriate way to measure the overall success of any program including CSBG. Since adopting an outcome measurement approach to evaluating a program is a long term and expensive proposition, the Department will proceed cautiously until national standards are developed. The federal government is presently working on outcome based measures and it is anticipated that these will be implemented in 1996 on a trial basis. The suggested outcome measures deigned by a national task force have been circulated to the CAAs for their response.

COMMENDATION 2

"Community action agencies, in cooperation with Office of Community Services, should develop agency guidelines that will ensure the completeness and adequacy of information contained in client files. These procedures should include regularly-scheduled, random checks by CAA management staff of the quality and accuracy of a sample of client files from each program area."

Response: The Office of Community Services will meet with the community action agencies to develop guidelines for local agencies to ensure the completeness of information contained in client files. Theses guidelines will be issued by January 1, 1996.

RECOMMENDATION 3

"Community action agencies, in cooperation with the Office of Community Services, should develop procedures at each CAA that will ensure consistency in all data reported from each agency to various sources. These procedures should include verification of all client, program, and fiscal information by appropriate staff and final authorization for release of data by the executive director or an appropriately designated person."

Response: The Office of Community Services will meet with

community action agencies to review all of the fiscal data reported to the Office of Community Services by local agencies. Based on input from this meeting and an internal review by the Office of Community Services, a determination will be made regarding what information is actually used and necessary and which reports can be discontinued. Procedures for reporting the needed information will be adopted which will require appropriate review by the local agency to help ensure accuracy and consistency. These revised reports and procedures will be issued July 1, 1996.

Revisions to procedures for reporting program data will be included in the development of outcome measures (see #1).

RECOMMENDATION 4

"OCS staff should examine the efficiency of Sussex/Surry/Greenville. In addition, OCS staff should continue working with Skyline, focusing particularly on programmatic improvements. OCS staff monitor CAAs for multiple limitations and provide technical assistance to agencies as needed."

Response: The Office of Community Services will continue to work with Sussex/Surry/Greenville and Skyline to determine if any programmatic weaknesses exist. OCS will continue to monitor CAAs and provide technical assistance as needed.

RECOMMENDATION 5

"Community action agencies and statewide organizations should review funding information provided to the Office of Community Services to ensure that the information is accurate. If an agency's independent audit identifies differences in funding amounts, these should be reported to Office of Community Services."

Response: The Office of Community Services will conduct a review of all financial reporting requirements. (See #3)

RECOMMENDATION 6

"The Office of Community Services should explicitly indicate the information to be received in the CSBG quarterly reports. In particular, OCS should indicate that all funding information be provided for the fiscal year indicated only. OCS should review all fourth quarter CSBG reports to ensure that the funding information provided is accurate."

Response: The Office of Community Services will conduct a review of all financial reporting requirements including instructions for filing reports. (See #3) OCS will continue to monitor all

quarterly reports.

RECOMMENDATION 7

"The Office of Community Services should work with the community action agencies to define agency-wide administrative costs as they pertain to CAAs and recommend a target for these costs. OCS should monitor the CAAs' agency wide administrative expenses and provide the assistance necessary to help meet the established target."

Response: The Office of Community Services will work with the community action agencies to help develop a definition of administrative costs. Once a definition is developed, it will be included on the financial reports so that local boards and any other interested parties are provided the information.

RECOMMENDATION 8

"All CAAs should conduct periodic cost saving assessments. Successful cost saving initiatives should be presented during VACAP conferences to encourage their use by other CAAs and statewide organizations."

Response: The Office of Community Services will encourage local agencies to conduct cost savings assessments and present successful cost savings initiatives during VACAP conferences. The Office of Community Services will request that this become a regularly scheduled item on the VACAP agenda.

RECOMMENDATION 9

"CAAs that are having financial problems should inform Office of Community Services and report to Office of Community Services on corrective actions within ninety days."

Response: The Office of Community Services will encourage any local agency having financial problems to contact Office of Community Services. The Office of Community Services will continue to provide technical assistance to any agency having financial problems.

RECOMMENDATION 10

"CAAs should place as a high priority the filling of vacant low-income board positions. In addition, they should encourage selection of board members for vacant public and private sector positions by their local governments and community groups."

Response: The Office of Community Services will contact all community action agencies and remind them of the importance of filling all board vacancies in a timely manner. Office of

Community Services will periodically request updates on the status of filling board vacancies. This is and will continue to be a part of all board training.

RECOMMENDATION 11

"CAAs should review, and revise as necessary, their by-laws to stagger board terms such that proper and continuous representation of public, private, and low-income individuals is ensured."

Response: This is a matter for the local community action agency boards. The Office of Community Services will advise all board chairman and executive directors of the advantages of staggering board terms to help assure proper and continuous representation of public, private and low-income members. This will also be included in the board training package. However, any action on this recommendation must be done by the local board and not in conflict with federal law restricting years of services.

RECOMMENDATION 12

"The Office of Community Services should require, as part of the CSBG regulations, that CAAs identify all present and absent board members in the minutes for each board meeting. Further, OCS should ensure that it receives the minutes from all CAA board meetings. Through the board minutes, OCS should monitor board member attendance and follow up with CAAs having consistent problems with attendance."

Response: The Office of Community Services will monitor each agency to assure that all board minutes are received in a timely manner and include the members present and absent. The Office of Community Services will also notify any board that appears to have a problem with attendance of the need to have sufficient attendance at all board meetings. This information is included in the board training packet. Technical assistance is already available for maintaining board slots.

RECOMMENDATION 13

"Consistent with suggestions provided by the Office of Community Services to CAAs, CAAs should include provisions addressing board meeting attendance and dismissal for lack of attendance in their by-laws, so that individuals are serving on the board who are best able to fulfill their responsibilities."

Response: This is a matter for the local boards. The Office of Community Services will advise all local boards of the need for board members to regularly attend board meetings and need for boards to follow their own by-laws. However, any action to remove a member or change by-laws must be made by the board itself.

The Office of Community Services will also determine if the annual application should include a form signed by the board chairman stating if any problems with attendance occurred during the year and what corrective action has taken place.

RECOMMENDATION 14

"The Office of Community Services should eliminate its routine on-site financial monitoring of community action agencies and programs. OCS should require the program monitor to conduct a review of appropriate financial documentation as part of the on-site program review, including actions taken to remedy any past financial audit problems."

Response: We disagree with this recommendation. The law requires that we hold the agencies financially accountable. We are willing to review the instrument used and update as appropriate. The program monitor does not have the appropriate training or experience to review financial operations or to correct past problems.

RECOMMENDATION 15

"The Office of Community Services should revise the compliance and program review instrument to require that monitoring staff review whether community action agency program that use CSBG funding are efficient and effective. OCS staff should develop specific criteria for determining a program's efficiency and effectiveness. OCS staff should also determine whether the agency is using adequate performance measures to evaluate its own programs."

Response: As part of implementing outcome based reporting (see #1) the compliance and program review instrument will be revised to ensure monitoring staff assess program effectiveness and efficiency.

RECOMMENDATION 16

"The Office of Community Services should revise the compliance and program review instrument to require monitoring staff to determine whether community action agencies review and maintain documentation of income eligibility in each client file."

Response: The compliance and program review instrument will be revised to require that monitoring staff determine if local agencies review and maintain documentation of income eligibility for each client.

RECOMMENDATION 17

"The Office of Community Services should revise the

compliance and program review instrument so that it describes the specific methodology to be used for reviewing each item on the instrument. In particular, for items that require review of client files, the OCS program monitor should personally select the files for review, review a larger sample of files, and review a sample of files from each program provided at the community action agency."

Response: The compliance and program review instrument will be revised to describe specific methodology to be used for each of the items in the instrument including sampling client records. This revision will be done by July 1, 1996.

RECOMMENDATION 18

"The Office of Community Services should develop written procedures outlining the activities to be conducted prior to and during each program monitoring visit. The procedures should include standard interview questions to be asked, data to be requested, and file review forms to be used for each monitoring visit."

Response: The Office of Community Services will develop written procedures outlining the activities to be conducted prior to and during each program monitoring visit. The procedures will include standard interview questions to be asked, data to be requested, and file review forms to be used for each monitoring visit. This revision will be implemented by July 1, 1996.

RECOMMENDATION 19

"The Office of Community Services should develop guidelines for the development of monitoring reports. The guidelines should specify the report format to be used and the type of information that should be included in the reports. The procedures should also outline an in-house review process to ensure that the documents are professionally prepared."

Response: The Office of Community Services will develop guidelines for the development of monitoring reports. The guidelines will specify the report format to be used and the type of information that will be included in the reports. The procedures will require an in-house review process to ensure that the documents are professionally prepared. The guidelines will be effective July 1, 1996.

RECOMMENDATION 20

"The Office of Community Services should develop procedures indicating that written monitoring reports will be provided to agencies within two months of the on-site monitoring visit."

Response: The guidelines for preparation of written reports will

include the requirement that all monitoring reports will be issued to the agency within two months of the on-site visit.

RECOMMENDATION 21

"The Office of Community Services should develop written procedures for following up monitoring visits. The procedures should specify that the community action agency that is monitored provide a written corrective action plan to the Office of Community Services within one month of the receipt of the written monitoring report, that OCS reply in writing to the agency regarding the corrective action plan, and that the agency report its progress toward implementing its corrective action plan the to Office of Community Services one year from the date of the on-site monitoring visit."

Response: The revised guidelines for preparation of written reports will include these requirements.

RECOMMENDATION 22

"The Office of Community Services should maintain comprehensive files of the monitoring visits. There should be a file for each CAA monitoring visit, and it should include a copy of the written monitoring report and all subsequent follow-up material."

Response: The Office of Community Services will maintain comprehensive files on each monitoring visit.

RECOMMENDATION 23

"The Office of Community Services should complete a checklist quarterly to determine if any information is missing from the community action agency files. Office of Community Services staff should contact the community action agency on a quarterly basis to request missing documents, and maintain a contact sheet which should indicate the date of each contact with the CAA that involves a request or clarification of information, the name of the person contacted, and the reason for the contact. Office of Community Services staff should be required to maintain the contact sheet and all information received from the CAAs in the central CAA file."

Response: A checklist will be maintained for each community action agency to ensure that all required reports are received in a timely manner. This checklist will be effective with the 1995-96 contract.

COMMENDATION 24

"The Office of Community Services should revise the CSBG

Policy and Procedures Guideline to encourage community action agencies to submit their annual audit within six months of the end of the fiscal year, and to require the agencies to submit their annual audit within 13 months of the end of the fiscal year."

Response: The Office of Community Services will encourage all agencies to submit their annual audit within six months of the end of the fiscal year. No reimbursements will be made to any agency with an outstanding audit 13 months after the end of their fiscal year.

RECOMMENDATION 25

"The Office of Community Services should revise the CSBG Quarterly Resource Report (CSBG quarterly reporting form 92-14) to ensure that this funding information is provided in a usable format. Office of Community Services staff should compile and analyze this information along with other quarterly CSBG financial information."

Response: This report is only used for background information and was never intended to balance against other reports. The Office of Community Services will meet with community action agencies to review all of the fiscal data reported to Office of Community Services by local agencies. Based on input from this meeting and an internal review by Office of Community Services determination will be made regarding which information is actually used and needed, and which reports can be discontinued. (see #3)

RECOMMENDATION 26

"The Office of Community Services should compile and analyze the information obtained from the program participant demographic report as part of its oversight of community action agencies."

Response: The Office of Community Services does compile and analyze data from the demographic report which is part of the OCS national report distributed to Congress.

RECOMMENDATION 27

"The Office of Community Services should provide the Office of Internal Audit with a copy of all independent audits as soon as they are received. The Office of Internal Audit should make it a priority to review every independent audit prior to the close of the following fiscal year."

Response: The Office of Community Services will supply the Office of Internal Audit with a copy of all audits within one week of receipt. The Office of Internal Audit will make it a priority to review audits prior to the close of the following fiscal year.

RECOMMENDATION 28

"The Commissioner of Social Services should review the priorities, staffing, and workload of Office of Community Services to determine if adjustments are needed in staffing assignments or staffing levels. Further, the Commissioner and OCS director should clearly define the role and priorities of OCS."

Response: The Department is currently reviewing all parts of the organizations as part of a reorganization.

RECOMMENDATION 29

"Assuming that the amount of CSBG funding continues to increase during the next few fiscal years, the General Assembly may wish to revise its CSBG fund distribution process to achieve greater equity among the community action agencies."

Response: This is an issue for the General Assembly.

RECOMMENDATION 30

"The Office of Community Services should review its method of distributing federal CSBG funds to the community action statewide programs. OCS should develop criteria (other than historic funding patterns) to use in distributing funds to the statewide programs. Criteria to consider include the number of low-income people served, the proposed specific uses of the funding, and the number of CAAs that provide the program."

Response: The Office of Community Services will review the funding for the statewide programs and consider the factors recommended for distribution.

RECOMMENDATION 31

"DSS, DOE, DCJS, and DHCD staff responsible for oversight of the statewide community action organizations should coordinate their oversight activities with regard to the statewide organization to avoid duplication of efforts, particularly with regard to on-site monitoring and follow-up of financial audit findings. The results of on-site monitoring by an agency should be shared with other relevant agencies."

Response: DSS staff will send a letter to DOE, DCJS, and HCD requesting that their staff share any oversight reports with our office to avoid duplication. Perhaps we could alternate each year who is responsible for the oversight activities or assess jointly.



Virginia
Council
Against Poverty

June 21, 1995

Mr. Phillip A. Leone, Director
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building
Capitol Square
Richmond, Virginia 23219

Dear Mr. Leone:

On behalf of the Virginia Council Against Poverty, I respond to JLARC's Follow-Up Report on Community Action. As you already know, the association has a number of concerns with regard to the report. I will reiterate those concerns shared with the Commission at their meeting of June 12, 1995. Also included are several additional points which were not addressed in my remarks before the Commission.

Overall, we are pleased that JLARC recognizes the worth of Community Action Agencies and the progress that has been made in addressing the 1989 JLARC recommendations. The report cites the appropriateness of programs and client bases served, indicating that Community Action program types are in compliance with federal laws, and that our services are appropriately targeted to low-income people. Community Action Agencies served nearly 150,000 Virginians in 145 different programs in Fiscal Year 1994.

The Follow-up Report indicates that progress has been made on 18 of the 20 recommendations from the original 1989 report on Community Action.

We commend the staff of JLARC for the courtesy and efficiency with which they conducted this follow-up study. We realize that the production schedule for a follow-up report may necessarily not afford adequate time for staff to gain an in-depth understanding of the nature, structure and complexity of Community Action. We believe that this need for better understanding is reflected in conclusions drawn from inappropriate indicators of agency effectiveness.

As indicated in my remarks of June 12, the association believes that the best interests of the Commonwealth would be served by deleting some parts of the current draft report, and substantially rewriting others. Although staff have added

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qualifying statements in several places with respect to performance measures and indicators of effectiveness, the fact remains that at least two of the indicators which the report uses to gauge agency performance are totally inappropriate. Even with the qualifying statements added, the report implies that agencies exhibiting those particular characteristics are performing poorly. Passages which refer to those inappropriate indicators should be eliminated from the document.

PERFORMANCE MEASURES

The JLARC report cites the need for improved performance measures for Community Action Agencies. We certainly agree that this is so; in fact, Community Action is working to develop better measures of effectiveness--as are many other groups, including public schools, the Department of Housing and Community Development and the Department of Social Services.

JLARC's recommendation is that we work with OCS to develop performance measures for Community Action in Virginia. We feel that it would be premature to do this, when the Federal office which provides the majority of our core funding will soon be implementing an outcome-based system and regulations of its own.

Virginia's Community Action Agencies are active in the national process of developing outcome-based reporting for CSBG. Fay Lohr, director of the Virginia Office of Community Services, chaired a national taskforce on this issue. We are in tune with, and will work to implement, the outcome-based assessment and reporting system which comes from our Federal office.

Meanwhile, agencies must report program performance based on requirements of individual program funding sources. While some programs, such as Project Discovery and JTPA, have outcome-based goals and objectives, the majority ask for reports of performance based on input measures--DHCD's Emergency Home Repair Program asks for numbers of homes repaired and the United States Department of Agriculture wants to know how many meals were fed to children.

INDICATORS OF AGENCY PERFORMANCE

Because JLARC staff felt that Community Action's current performance measures are inadequate to determine agency effectiveness, they selected four more general indicators of performance. The Community Action network takes exception to at least two of the four.

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Cost Per Client

An agency's cost per client is not an indicator of effectiveness. That is, a "good" agency doesn't have a lower cost per client and a "bad" agency doesn't have a higher cost per client. Cost per client is the result of the mix of programs and services an agency provides. Many programs are funded to an agency based on cost per client--Head Start has a cost per child of around \$3500. Generally, emergency or short-term services which stabilize a family's situation are less expensive, while developmental or long-term services that move families toward self-sufficiency are more costly to provide.

For example, my agency, People, Inc., operates a number of developmental programs. Two in particular drive up our agency cost per client significantly. One is a Homeownership program which costs over \$40,000 per client; the other is our Microenterprise Program which costs more than \$10,000. Both these programs involve loans to the participants, every penny of which is paid back over time with interest. Yet the cost of making these loans is factored into my agency's cost per client. By using cost per client as an indicator of agency performance, the incentive is there for agencies to lower their cost per client. I could do that at my agency by eliminating these two programs, yet I do not believe that it is the State's intent that I do so.

Range of Services

The report also uses range of services as an indicator of agency performance. Community Action Agencies in Virginia report services provided in 13 program areas--Community Organization, Community and Economic Development, Education, Elderly Services, Energy, Employment, Emergency Services, Special Offender and Ex-Offender Services, Health, Housing, Nutrition, Transportation and Water/Wastewater. The JLARC report cites agencies which provide services in six or fewer of these areas.

Community Action Agencies develop programs and services in response to needs identified by the local community. We are required to perform a comprehensive needs assessment every 3 years and programs/services are based on this information. If the needs assessment indicates that a particular need does not exist among the low-income residents of the service area, there is no reason for the Community Action Agency to provide a program to address that need. Likewise, if the need for the service is being adequately addressed by other service providers in the area, the CAA does not need to duplicate that service. For example, a number of CAAs do not provide Elderly Services, since Area Agencies on Aging in their service areas are particularly strong and offer a wide range of services to low-income seniors.

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In addition, a narrow range of services does not mean that an agency operates only a few programs. STEP (Support To Eliminate Poverty) provides programs in only 3 of the 13 CSBG program areas. Yet the list of programs the agency offers in Education alone is lengthy and comprehensive--Head Start, both center and home-based, Before and After School Care, Infant and Child Day Care at 9 sites, Project Discovery, Summer Youth Programs, Therapeutic Foster Care, Adult Literacy. The agency is providing those services which meet the needs of its local community.

DISTRIBUTION OF FUNDS

To Local Agencies

The CSBG funding formula is a part of state law. The most recent change to the formula was enacted by the General Assembly just last year, and was based upon a recommendation from the Community Action network. This formula change was designed to move toward the equity in funding which the JLARC report cites as our goal. While the distribution method recommended by JLARC in the Follow-up Report could enable us to achieve parity sooner, it would only do this at the expense of a number of agencies who would receive no share of any funding increase.

Community Action works in Virginia not just because individual agencies are addressing poverty in their local communities. Community Action works in Virginia because we have a strong network of agencies working cooperatively through the Virginia Council Against Poverty to find solutions for the problems of poverty and opportunity for Virginia's low-income citizens. Any funding change that favors some agencies over others jeopardizes the cohesiveness of the Community Action network and the effectiveness of Community Action across the Commonwealth.

To Statewide Programs

On the issue of distribution of funds to statewide community action programs, the association reaffirms its commitment to funding for the Virginia Water Project. The Virginia Community Action Act and the federal Omnibus Budget Reconciliation Act of 1981 codify funding for VWP. When Community Action funding was block granted in the early 1980's, VWP was an eligible entity to receive CSBG funding. Further, the authorizing legislation required that Virginia fund VWP. In order to give local CAAs the greatest amount of federal funding, it was decided by the Virginia Department of Social Services, with the agreement of the Community Action network, that VWP would receive the 5% federal CSBG discretionary funds, rather than its share of the 90% pass-through for CAAs. Subsequent training and technical assistance

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funds for Virginia CARES and Project Discovery came initially from VDSS's 5% administrative share, and as such, are not written into the law. The Virginia Council Against Poverty supports the continuation of funding to the statewide programs in its present form.

As a note, it is interesting that, while the JLARC report does not advocate increased funding for CAAs, it nevertheless assumes that increased funding will be forthcoming to be allocated according to its recommendations.

Also, with regard to the "inequities" in the fund distribution, the Community Action network recognizes that the current funding situation is not so much reflective of funding inequities as it is reflective of the underfunding of Community Action as a network. That is, available monies are inadequate to fund all agencies at levels that would meet the existing needs in their service areas.

STATE OVERSIGHT

With regard to the Office of Community Services, which administers CSBG in Virginia, we support the staffing level as currently exists. Current staffing is the result of recommendations made in the original JLARC report on Community Action. Given the increasing workloads of director and staff with the implementation of welfare reform, the tremendous growth in the Neighborhood Assistance Program and other new responsibilities assigned by the Commissioner and Secretary, we feel that the office is staffed appropriately. We are pleased that the general efforts of government reorganization have left the office separate and intact. As an association and as individual agencies, we have a cooperative working relationship with the State Department of Social Services and its Commissioner and the Office of Community Services and its director and staff.

VACAP HISTORY

We wish to correct the report concerning the history of the Virginia Council Against Poverty (formerly the Virginia Association of Community Action Agencies--i.e., VACAA). The report states that VACAA was disbanded in 1992 due to conflict of interest, resulting in transfer of the Weatherization Program to the Department of Housing and Community Development. The report is inaccurate in this regard.

You may recall that one of the first acts of Governor L. Douglas Wilder after he took office in 1989 was to consolidate all of Virginia's housing programs within the Virginia Department

of Housing and Community Development. At the time, the Virginia Weatherization Program was administered by the Office of Community Services in the Virginia Department of Social Services. OCS, in turn, contracted with VACAA to operate the program, disburse funding to local subcontractors, and provide training, technical assistance, monitoring, etc. VDHCD determined that the department would perform those functions in-house. This resulted in the downsizing of the VACAA staff from a high of 22 down to 4 staff to do closeout and then later to 2 staff who would perform duties related to membership services to the CAAs.

At its June 1992 retreat, the VACAA membership decided to change the name of the association from the Virginia Association of Community Action Agencies (VACAA) to the Virginia Council Against Poverty (VACAP) in order to create an identity for the association independent of Weatherization and also to more accurately reflect the purpose of the organization embodied in the newly-revised mission statement. No conflict of interest existed; VACAA as an entity never was dissolved; the association simply narrowed its focus and assumed a new name which was more in keeping with its purpose.

OTHER ISSUES

The JLARC report characterizes increases in funding and staffing of Community Action Agencies since 1989 as substantial. Virtually all increases in funding and staffing have been directly related to programs--especially Head Start and the Energy Crisis Program. The amount of CSBG funding has been basically level and many agencies have experienced a reduction in the number of CSBG staff. This increase in overall agency funding while CSBG funding has remained constant speaks to the tremendous leveraging capacity of Community Action--the ability to give the Commonwealth more "bang for the buck."

A 1986 study of Virginia's Community Action Agencies presented a Minimal Staffing Plan for CAAs. This plan indicates the need for specific core staff--planners and outreach workers--based upon the size of an agency's service area and target population. The core funding needed today to bring every agency up to this Minimal Staffing Plan is almost twice the current level of federal and state CSBG funding!

In conclusion, let me say that we believe the JLARC Follow-up Report, as a whole, to be positive. We agree with JLARC staff that improvements in certain areas--program files, fiscal management, performance measures, etc.--can always be made. With respect for the need for more uniform reporting, funding has been available to enable OCS and the Community Action network to develop and implement a uniform, automated data collection system. We look forward to the day when this becomes possible.

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We pledge, as individual agencies and as an association, to continue to explore cost saving measures and ways to improve the efficiency and effectiveness of Community Action. We agree that a definition of administrative costs should be developed, and will work with OCS to do so. We would be pleased at the opportunity to definitively illustrate the low administrative cost of Community Action Agencies.

Thank you for the opportunity to respond to JLARC's Follow-up Report on Community Action. We trust that you will give careful consideration to our concerns. While we appreciate JLARC's responsibility to direct attention to potential problems, we also know that the suggestion of problems where they do not exist could serve to undermine agencies which are working hard to maintain the trust and support of the Commonwealth and all its citizens.

If you need additional information on any topic which I have discussed, please do not hesitate to call me or the VACAP staff.

Sincerely,



Robert G. Goldsmith
President

cc: JLARC Members

JLARC Staff

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VRS Oversight Report No. 4: Semi-Annual VRS Investment Report, September 1995