

**NCDHHS Division of Social Services/Office of Economic Opportunity - Community Services Block Grant (CSBG)**

Title: Cost of Living Adjustment Increases for Community Action Agencies Employees

Guidance Memorandum 2018-2

Purpose: To provide consistent guidance on required procedures and documentation necessary to offer cost of living raises for CAA’s Employees.

Effective Date: July 1, 2018

Related (No Related GM)

Resources:

**2 CFR 200.430**

***Nonprofit organizations.*** For compensation to members of nonprofit organizations, trustees, directors, associates, officers, or the immediate families thereof, determination must be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings more than costs. This may include directors and executive committee member's fees, incentive awards, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost-of-living differentials.

**Background**

The Office of Economic Opportunity (OEO) through reviewing the state and federal regulations found that cost of living expenses is an allowable cost and could be reimbursed to Community Action Agencies. Each agency requesting Cost of Living Adjustments(COLA) must follow the steps list below.

**State Guidance and Interpretation for using CSBG funds for Cost of Living Adjustment increases must adhere to the following:**

1. Agencies must have Board-approved financial policies and procedures that detail the process for COLA increases.
2. Agencies must have Board approval of the COLA increase prior to the following fiscal year budget development period. **Example: When Board of Directors approve COLA increases during the current fiscal year, that increase will be part of the new fiscal budget when using CSBG funds.**
3. Agencies must maintain the documentation of all COLA increases and submit all supporting documentation to OEO, when requesting COLA increases.

Documentation includes but is not limited to:

a) Minutes of Board meeting discussing and approving the COLA increase.

b) The section of the policies and procedures which relates to COLA increases.

c) Any other agency-wide program or regulation that may affect the COLA increase.

d) Any documentation which demonstrates the method of computation.

e) Any other documentation that OEO requests to support the COLA increase.

1. Agencies must show that the COLA is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity and is consistently applied to both the federal and non-federal activities.
2. Reasonableness: Compensation for employees engaged in work on federal awards will be considered reasonable to the extent that it is consistent with what is paid for similar work in other activities of non-federal entities.
3. OEO has the right and final approval as to when the COLA increase will go into effect.

This GM is accessible at the OEO website and will be sourced during OEO’s ongoing monitoring, training and technical assistance activities. All sub-grantee agencies will be accountable for this information.

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Office of Economic Opportunity Administrator Date