

CDBG-DR Subrecipient Management and Recordkeeping, 5-16-16

Kelly Price: All right. Good afternoon, folks. Welcome to the "Community Development Block Grant Disaster Recovery Webinar on Subrecipient Management and Recordkeeping." We are glad you've joined us today. This is part of a series of webinars that many of you may have participated in prior to this one. This is actually the sixth in a series of webinars. This one focuses on key rules and requirements of Disaster Recovery grants, kind of sharing some tips and lessons learned as well.

My name is Kelly Price. I'm with ICF International, a company that provides training and technical assistance to HUD and its grantees. And I'll be presenting today's webinar. Joining me are several HUD staff, including Jennifer Hylton who will be assisting me to answer questions. We also have Marty Horwath and Sandra Donaldson from HUD as well. They've been real troopers in participating in all of these webinars and helping to also answer your questions, and we'll talk more in just a minute about how you can post those questions and get the answers that you would like.

Again, this is the sixth in a series of seven webinars total that HUD is sponsoring to provide guidance to CDBG-DR grantees. The focus of the webinars is primarily on new grantees that'll be new to the grantees that'll be new to the program. The disasters that occurred in 2015 that an appropriation was made in December with Federal Register Notice as pending for those disasters, as well as our National Disaster Resilience Competition grantees who also are starting off on their journey in terms of using CDBG-DR grant funding. So these webinars are focused primarily on those new grantees and getting the information that you need to get your program started and up and running and in compliance. But existing CDBG-DR grantees may also find the information helpful as a review or for new staff, or what have you.

Again, this is the sixth in a series, so we have a final webinar coming up. That webinar will be on Environmental Review. That one was rescheduled from a previous date, so look for a message coming to you if you're signed up on the HUD Exchange Listserv. You'll get a message indicating when that webinar will be set up specifically, so look for that. Likely that webinar will be held in mid to late June.

All right. Sorry. I lost my cursor. Sorry about that. We will ask you guys some polls, just a couple of questions. If you've done one of these before, you may be old hat at that, but I'm going to turn this over to Chantel Key of ICF, who's also joining us to provide support. And she'll explain how those polls and the question taking will happen, Chantel.

Chantel Key: Thanks, Kelly. So as Kelly mentioned, I will have a couple of questions -- a couple poll questions throughout the webinar. On your go-to webinar toolbar, you'll find a place to actually type in your questions. And as designated times throughout the webinar, we'll take your questions and we'll answer them at different times. So, again, on your go-to webinar toolbar you will find a place to type in your questions, and your questions will be taken throughout the webinar. We'll also have a few polls that I will be opening up. And you'll also see on your go-to webinar toolbar a place to click in your poll answer, Kelly.

Kelly Price: Okay. Thanks, Chantel. What are we talking about today? Again, we're here to talk about subrecipient management and record keeping, pretty critical elements of your program, and elements that can ensure that you're compliant with all the program requirements. So that'll be our focus of today. In particular, what we're going to talk about is, what are subrecipients? How is a subrecipient defined? And how is that different from other partners that might participate or assist you in implementing your disaster recovery programs? We'll talk about the differences between the different types of entities that might be helping you with your program. How do you select subrecipients? And, again, the differences between selecting subrecipients, their partners, and how that might work. What are the expectations for a grantee around oversight and monitoring and compliance in terms of subrecipients?

Again, we'll talk about record keeping. What are the key elements of a good record keeping system? What type of records do I need to keep? How long do I need to keep them? Those type of issues, as well as some of the things around electronic record keeping and maintaining a Disaster Recovery website. So that'll be the focus of today's webinar. We will allow questions at a couple of different points in the presentation. And, again, you can also send those questions in via the chat box and have those answered. Some of them will be answered sort of immediately by HUD via the chat box or, again, back to stopping at those certain points and discussing certain things. We're also going to provide some resources for you at the end of the webinar.

There's several slides there for you that give you links to specific documents, or resources, or what have you, that we feel are important and relevant to this topic. A particular interest should be the links to the other webinars that we've hosted so far. Again, this is the sixth one, so some of the topics I'm going to cover, I'm going to cover from a very quick, brief high level because we've already had a webinar that may have explained that topic in detail. I would encourage you to go there and get those slides and find out more information there.

All right. So subrecipient management, the reason this topic is important, particularly for Disaster Recovery grantees is that many of the grantees in the disaster recovery program are often state grantees. And states -- this is sort of a different field, or area that they maybe traditionally are not used to dealing with. So we want to make sure we have clear understanding of what is a subrecipient. A subrecipient is actually defined in the block grant regulations. And we have the regulatory citations here on the slide for you. The regulations at 570.500(c) actually clearly define what a subrecipient is.

And that is a public agency, or nonprofit entity, or organization that CDBG funds, in this case CDBG-DR funds, from the recipient or another subrecipient to undertake CDBG-DR eligible activities. That's a mouthful, but in essence, again, it's a public or private nonprofit entity that's carrying out activities on your behalf as a grantee, essentially sort of an arm or extension of the grantee undertaking a full activity or program on your behalf as the grantee rather than you doing it directly.

Subrecipients are selected based on criteria or processes that the grantee determines to be appropriate. So this is where grantees have some latitude to determine how they're going to pick subrecipients, how those decisions are going to be made, and which entities they're going to work with, and we'll talk more about that in just a minute. Subrecipients, as a condition of

receiving the funds and carrying out activities, have to comply with all the federal program requirements that may apply to entities of that type. And that would include some of the cross-cutting federal requirements, everything from 2 CFR 200 pertaining to uniform standards and financial management, as well as things like environmental, relocation, etc.

They also tend to be responsible day-to-day for decision making. They're running a program, carrying out an activity, and as such, making day-to-day decisions about how to do that. And then providing the scope of services that's outlined in the agreement. And of course, though, because the grantee has selected this entity to carry out the activity then it has to oversee that activity in some way. There has to be some monitoring and oversight [inaudible] to ensure the grantees funds are being used appropriately and in compliance with the requirements.

So performance monitoring is very important, and we'll spend some time talking about that. All right. I do apologize [inaudible] trouble finding my icon here. Again, the distinction here, one thing we wanted to spend a little bit of extra time talking about today is for those of you Disaster Recovery grantees that are states, entitlement jurisdictions traditionally work with subrecipients. This is something that's sort of a normal course of business and outlined in the entitlement regulations. Subrecipients may carry out, for example, housing rehabilitation program and public service programs, for example. Those are very common types of programs that subrecipients carry out, and grantees monitor those subrecipients, sometimes have an annual selection process, what have you.

With CBDG-DR, states are getting into a different zone, if you will, in terms of partners that may not have traditionally worked with, because in our state CDBG program, states directly fund units of general local government. In the case of disaster recovery, states can still work with units of local government, but they have the option to also work with other types of partners, and that would include these subrecipient entities. So it's a direct relationship now between a state and one of these public, or nonprofit entities helping to carry out a program verses having that unit of local government perhaps in the middle or not at all. So it is a little bit different -- layer a little bit different relationship than most states may be used to. And so we wanted to make sure we draw out those distinctions.

Now, again, you can certainly use unit to local government to help run disaster recovery programs. They can be treated in the traditional sense as they are in the state program, or as a subrecipient. It's almost the same relationship, in essence, in terms of responsibility on both sides. But we did want to draw out that distinction for you as states so that you understand that you can work directly with subrecipient entities whereas you're not traditionally doing that in the regular CDBG program.

Some other entities that -- roles that might come up in the disaster recovery program that we wanted to distinguish again from the subrecipient relationship, and that is once a contractor verses a subrecipient, how does a developer come into play; we hear that term obviously in a lot of housing, but sometimes other activities. And we throw around the business term in a couple other ways, how does that fit in here? So that's what we're going to spend a little bit of time on here. So who is not a subrecipient?

If you recall in the definition a couple of slides ago we said that a subrecipient is a public agency or nonprofit entity. And so that's an important distinction right there in terms of sorting out who is playing what role. Contractors can be a nonprofit, traditionally are a for-profit entity, but they are competitively procured. That would mean that they are procured in adherence to the federal, and/or -- if you have state or local procurement requirements that apply as well. So they're competitively procured, according to 2 CFR 200, and again some of the other requirements through either a RFP/RFQ process, and/or a sealed bid type process, depending on what that contractor is providing to you as a grantee.

So competitively procured, providing a very specific scope of service, and very specific pricing, and so forth. And in a minute, I'll show you a slide where we compare the role of contractor to subrecipient and some more distinctions there that might be helpful. But, again, competitively procured is the key element here. Nonprofit public agency are subrecipients. There's a selection process, but it does not meet the same standards are the procurement requirements in 2 CFR 200 and your state law.

Developers are another partner entity that may play a role in your program, however developers are distinct -- that's a distinct role that's typically used through affordable housing programs. They're essentially acting as a recipient of a loaner grant program to carry out an activity. They're not carrying out an entire program on your behalf, and/or carrying out a service under which they're paid on some sort of pricing schedule. They're essentially an awardee of funds and carrying out a housing -- is the most common activity. And that's their sole purpose, one project then we move on.

The same goes for a business. You may have for-profit businesses. Just because you have a for-profit business that receives funds from CDBG-DR does not necessarily make that entity a contractor. It depends, again, on what they're actually doing, what role they're playing, how they receive the funding, how they were selected, and so forth.

Some CDBG-DR Programs have, for example, economic development [inaudible], micro-loan programs, business assistance loans, that sort of thing, where a business essentially becomes a beneficiary in that program and receives a loan or grant. So you really have to look at what the entity is doing, what role they're carrying out, what type of entity they are, and how they were selected.

So lots of different ways to work with partners. Again, here's a slide that sort of shows you some of the compare and contrast between a subrecipient and a contractor. One other thing you might want to make a note [inaudible] here again is what type of entity is it, subrecipient again being public agency or nonprofit [inaudible]. Contractor can be a nonprofit, but traditionally a for-profit entity. Subrecipients are selected via some sort of application, some of selection process that's set up by the grantee based on certain criteria and so forth, which we'll talk about in just a minute.

Contractors selected by competitive procurement that meets all the requirements and standards of the procurement regulations and requirements in your state. So that would be a bid process, a

RFP that includes certain elements, pricing, and so forth. So very competitive procurement process that follows your procurement policies and standards.

How do the requirements apply to each of them? Well, a contractor is playing a very specific role. They're hired for whatever it is that you put out there in your competitive procurement. And they're going to carry out that specific service or provide those specific goods to you. That might be, for example, a -- you need a firm to-do housing inspection. That's a common example on where there's housing damage in a disaster situation where you need a company who can go out and do inspections, work write-ups, maybe even over -- provide inspections upon payments or draw.

That's a very specific subset, very specific service that can be priced out. You can judge all the entities that provide a bid, and that sort of thing. A subrecipient would essentially be carrying out, for example, the housing rehab program overall doing the day-to-day administration, doing the application intake, the counseling, checking for duplication of benefits, assisting the family with any other kind of assistance while they may be out of the home, like relocation assistance, etc. So day-to-day, undertaking all of those different functions, and all of those functions that the subrecipient does are going to be subject to pretty much all the same requirements that apply to the grantee.

Again, think of them as an extension. Just like a unit of local government would be in a regular CDBG program, a subrecipient is going to be essentially the same. They're carrying out this whole thing on your behalf, therefore all of the requirements show up in a written agreement to the subrecipient. In a contractor situation, it will depend on what they're carrying out and how you craft your written agreement. What are the requirements that apply specifically to that scope of services? And that's what they'll focus on. The overall compliance of the program [inaudible] up to the grantee.

Again, we want to see monitoring, oversight occur with the recipients. We'll spend quite a bit of time talking about that because they are an extension of the grantee and because they're carrying out full activities, we need to see that oversight and compliance systems in place. Contractors, you're generally sort of providing that oversight, visa vie, to the contract that you executed. Are they performing up to the contract for those services, the pricing that was providing, and any of the requirements that you applied to that specific scope of services? You want to see that that contract is being performed and complied with.

All right. Well, hey, Chantel, I think it's time to take a little break here and ask a poll.

Chantel Key: Okay. So for our first poll today we have, how many subrecipients are you using, or if you're a new grantee, how many are you planning to use in your program, 1 to 5, 5 to 10, 10 to 20, or you're unsure? The polls are now open, and we'll keep them open for a few seconds. And we have about 50 percent of our participants voted so far, so I'll keep it open for just a few more moments. Okay. I'm closing, and sharing the results. And we have 33 percent voted 1 to 5, 14 percent voted 5 to 10, 18 percent voted 10 to 20, and 35 percent voted unsure.

Kelly Price: Thank you, Chantel. That's interesting. I am resetting my slides here for a second to make sure everybody can see the top of the slides. I was noticing in the chat box that we got a couple of comments on that. Is this view now helping everybody? Is that better?

Chantel Key: Yes. That's better.

Kelly Price: Okay. Good. Sorry about that. It all depends on how you show your screen, folks, so I apologize about that. Thank you. It sounds like, Chantel, a good majority of folks are just not sure yet how many subrecipients they may need or be using, particularly if you're going to be a new grantee as some of those program design decisions are still being made. And one of the things that it really depends on are the type of activities that you're going to carry out as a grantee, the size of your program, and what the capacity is of entities in your state or in your locality to actually help you carry out those programs. So those are some of the considerations, and we'll talk a little bit more about that now.

Again, contractors are competitively procured. Procurement is a very defined, rigorous process that now there's requirements in 2 CFR Part 200 as well as again for you states. Your state codes and standards relating to procurement. But selection of subrecipient is not so clearly defined. And so this is where a grantee needs to determine how it will make those decisions based on what criteria and documenting those decisions both for the public and for long-term success of the program. So these are grantee decisions. Will you use subrecipients; yes or no? If yes, how are we going to figure out who those partners are?

Again, the requirements are a key thing to think about. Subrecipients, extension of grantee essentially have to adhere to all of the requirements in the program. So -- and what role are they playing? Are they playing a -- just carrying -- helping you with specific service, like maybe counseling, or something like that, versus day-to-day decision making program operations, so forth, and so on? So really look at those particular elements in making those decisions.

Again, you do need some way of making the selection process make sense. Here's some of the criteria on the next couple of slides that we have just based on sort of best practice and what HUD and we've seen over the years and across the country in terms of looking at this area. Having subrecipients is another layer, if you will, and so there is an inherent sort of risk, if you will, in working with other entities because it's not your organization. It's not you and your staff. So with that comes a little bit of risk, and yet I would say with disaster recovery programs, because these programs are so desperately needed, the timing and timeliness in terms of being responsive and spending the funds is an issue, and it may be forcing you to look at carrying out activities that you haven't traditionally funded, but you need to address the unmet need.

So that may sort of force you into considering subrecipients and picking subrecipients where you have -- necessarily had to do that before. So if that's the case, certainly look around the country for models of best practices. Again, I'll kind of point what some of those are here. The first one obviously is going to always be, what's their track record? What's the history of the organization? What has their performance been? Have they had complaints? Have there been monitoring reports, monitoring issues, findings, or concerns either by your agency in the past or by another state agency, or other partners they worked with? That would be worth finding out about. Their

audits, both their financial audits, which I'll talk about in just a minute, as well as whether or not there've been any OIG audits or findings or issues.

We also encourage you of course to look at the staffing and capacity at the organization. Who do they have on staff? You would not procure a consulting firm probably to provide you with any type of service that you need without asking a great deal of questions about qualifications, experience, who's going to be on the team, who's playing what role. I'm going to encourage you to think about this the same way. Who is the staff? Are they new? Are they experienced? Have they had a lot of turnover? Are they going to hire some folks to run our program? If so, how will that be carried out? And that sort of thing.

One of the other key elements to look for would be program and activity experience. So have they done CDBG-funded projects before or something similar, like home-funded or something that would sort of speak to the requirements that are going to come into play here? And of course CDBG Disaster Recovery has another unique layer, another unique level of requirements that it would be nice certainly to have organizations that have experience with those funds. Have they carried out the type of program or activity that you're asking them to carry out? If it's a public service organization, do they really have the capacity the system's experience and the knowledge to carry out, for example, a housing rehabilitation program?

It might sound nice. They might like to do that and have their heart in the right place, but do they actually have the experience to do that?

Also you want to look at the financial elements of the organization. Again, they're subject to all the same requirements that you would be, 2 CFR 200 in terms of internal control, financial management, all their audits, that sort of thing. So have there been any issues there? Are their systems actually set up to comply with those requirements? Have they had experience if there's going to be a loan program, for example, or any other sorts of repayments? Have they had experience in capturing and managing and reporting on, for example, program income?

Looking at the timeliness, how quickly can they process, for example, homeowners, or small business owners if you're asking them to carry out that program? Do they have the capability to actually cut checks in the time that you expect them to, and that sort of thing? If that's part of what you need them to do. And then some of these programs are very large. Some of the [inaudible] grantees, for example, have multiple programs, multiple entities involved. And those entities often have other entities underneath them, so there might be subrecipients to subrecipient. There may be contractors that they have to hire. If you're running a housing rehabilitation program as a subrecipient, they may need to hire that contractor to do those inspections that we talked about earlier.

Do they actually know how to do the procurement properly in that case? Do they know how to oversee that program and make sure the contractor is doing what they're supposed to do, paying that contractor appropriately and documenting those payments? That sort of thing. So looking at all of that, absolutely critical to your selection process. And there's -- again, there's probably many more elements that you'd want to also look at, and of course you're going to want to adhere to your internal and state laws and policies as well.

I'm going to go through a couple more, Chantel, and then we'll take questions. Subrecipient agreements, the CDBG regulations do have a provision for subrecipient agreements, so you are required to enter into a legal agreement with your subrecipient partner's agency. And this agreement -- again, for those of you who worked with units, a local government would be along those same lines of your grant agreement. But remember this entity is a little different, and those after recovery funds are going to be different. So you need to make sure that that agreement has some of the minimum elements here, but also incorporates all the disaster recovery elements as well, the actual program components that you want them to carry out.

So these are some of the provisions that are listed in the regulations. Again, this is sort of a base from which to start from. You want to have a clear statement of work, scope of services. What it is that you're essentially paying them for? What are they going to do for you? And what are the outputs or benchmarks that you're expecting over the course of that agreement? What's the period of performance? Are there benchmarks, milestones, review times, that sort of thing, that need to be considered as well?

Record keeping, we'll talk about that later, but subrecipients who are carrying out a program on your behalf obviously will be keeping a lot of records on your behalf. So what are all those records they need to keep? How should they keep them? When should they report certain things to you? What's your expectation for documentation? Carrying out all of the -- passing on, if you will, all the uniform administrative financial management and crosscutting federal requirements. A lot of this stuff is often cut and pasted, and a lot of agreements that we see across the country are dated.

They were templates that were put together years and years ago, and a few things in each one has just sort of changed every year. And I would encourage you to very, very carefully craft -- amend and execute your agreements that are specific to the situation you've got at hand now, making sure that everything you can think of in that agreement to protect you long-term. You will need provisions on suspension of the agreement, or termination of it, should that -- should it come to that, as well as reversion of asset. And by that we mean, if the contract is terminated, and/or some other event may occur, such as the organization going out of business, or something like that.

What happens to those assets that are actually CDBG-funded, whether that's property assets, or program income, or accounts receivable on program income? Those are CDBG assets that have to come back to the grantee, so you want to be sure your attorney's craft that language appropriately. One other important element we wanted to point out here as well, with disaster recovery programs in particular, a subrecipient agreement is only as good as it is current and reflects the program requirements. Disaster recovery programs often have multiple waivers and other provisions that come into play over the course of your grant. For those of you who have [inaudible] PL 113-2. And Sandy and the other grantees, you'll know this well, how many -- I'm not even sure I have the exact number in my head today.

But how many different issuances of notices and other policy guidance that has come out for you in terms of the various waivers and other clarifications on policy? You'll want to be sure that

you're constantly sort of informing your subrecipients of those changes and expectations as well as amending your agreement over time if necessary to allow them to do certain things that perhaps when you first executed the agreement they couldn't do, or vice versa. So sort of a constant review of that agreement and amending it with mutual consent is recommended.

I think we'll stop here, Shawna, and Chantel, and take some questions before we get into the monitoring piece just to make sure folks are clear on sort of the different roles and definitions.

Shawna LaRue Moraille: We have no questions, content questions in the queue. If you can also try to resize your PowerPoints again, Kelly, we'd appreciate it.

Kelly Price: I am in view -- I mean, I'm in show -- I don't know that I can do anything else. It may be a resolution issue on my computer. Are you not seeing the top of the slide?

Shawna LaRue Moraille: Yes. It's mostly with the two-line headers, but just wanted to check if there was anything else you could do.

Kelly Price: Oh, okay. Yeah. I can see it all here, so I'm not sure what's going on.

Shawna LaRue Moraille: Okay.

Kelly Price: Sorry for that. And, again, folks, the slides will be posted for you. Most of these are one-line titles. If they're two lines, then there's probably a little extra wording that you don't necessarily need to understand what the issue is. But I'll read them, too, Shawna, if that will help. So we're going to talk now about subrecipient oversight.

Again, this is absolutely critical, but it is a grey area in the regulations in terms of frequency of monitoring an oversight and sort of how to handle the issues that are going to come up. And they will come up. Because, again, you've got another entity acting on your behalf day-to-day essentially running programs and activities for you, so their issues are going to pop up, just like they would if you were carrying out the project.

So some things to consider at the grantee level now. We're going to talk about back up at the grantee level, not the subrecipient, but at the grantee level. If you've chosen to utilize subrecipients then you need to make sure that you do have oversight staffing in place. Passing off the program to other entities does not remove the grantee from the responsibility for full compliance. And so someone, or more than one, however you decide to staff that up, someone has to be responsible for that monitoring and oversight on a sort of day-to-day and periodic basis in terms of monitoring.

And there are a couple of elements that that I'd wanted to be sure we emphasized. Administrative sort of programmatic experience, but also financial -- the financial management requirements sometimes are not always everyone's [inaudible] in terms of expertise. And so making sure that you've got that financial oversight as well in terms of all the various internal controls, and reconciliations, and draws, and reporting in DRGR, and all those components, but someone on

the grantee staff who's knowledgeable on those elements is available to oversee these grantees and provide them with help.

Of course we always encourage that you have policies and procedures. Policies and procedures to guide the program to make sure the program is being carried out consistently and in compliance. And also to guide you guys as a grantee staff through the monitoring itself, how will that be carried out? Who will do that? How often will you do that? What tools will you use? That sort of thing. And then it's important to think about ahead of time, not when the issues come up, but ahead of time, how you're going to deal with issues, because again they will come up.

So non-performance issues, maybe money is not being spent in a timely manner, folks are not being served as quickly as you had hoped, or expected, or had in your agreement. Financial issues, there's no documentation for payment, numbers aren't making sense. There's protection potentially of some sort of fraud, or some sort of issue, how will those get resolved? Who do they go to? What your expectations to resolve those in terms of time, and who will support you guys on staff, whether that's legal help, what have you, and always reaching back to your HUD staff and talking about these things. So how will that all be handled internally is very, very important.

We have a slide here that's just sort of a graphic that I'm going to talk through the actual boxes that you're seeing here. This says the five habits of highly effective subrecipient monitoring. So these are different elements of that system. Risk assessment, frequency of monitoring, the thoroughness of monitoring, evidence to support conclusions of monitoring, and then what's your tracking method or feedback loop. So we'll talk about each of those.

Again, the first one, risk assessment. Risk assessment essentially means how do I decide -- I've got multiple subrecipients and other partners I'm working with. We have limited staff. We've got a lot of stuff going on. We've got a lot of pressure to get money spent under Disaster Recovery. How do we decide who gets monitored when and what sort of level of monitoring we will do?

So risk assessment gives you a way to think about that, and I'll give you more information on that in just a minute. How often will we monitor? The regulations actually do not have a specific timeframe. It really is one of those things that the grantee needs to decide based on the size and complexity of the program, problems that are occurring that sort of thing, so we'll talk about that again in just a minute and how you make those decisions.

What are you looking at? Are you looking at everything every time? Are you doing different elements of the program? What is the thoroughness of the review? How do you look at what the issues are and make decisions, make conclusions about those -- what's supporting those decisions and then what do you do about them? What's our tracking method? What's our feedback loop? What's our resolution? So these are just some of the things to really think hard about in terms of your program.

So back to risk assessment, again, risk assessment helps you determine who should be monitored when, how do we make those decisions. And a lot of oversight agencies, a lot of grantees, federal agencies, state agencies use some method of risk assessment. So if this was something that's new

to you or you're not sure about how to set sort of a risk assessment up or what criteria to use, certainly look to colleagues and other departments, other agencies, etc., to get some ideas. We'll talk generally about what some of the key factors are.

What really sticks out here, first of all, is that some of these factors for risk assessment are probably going to sound duplicative of the information I gave you earlier about selection of the subrecipient to start with. When we talked about selecting subrecipients, we emphasized their track record, including their knowledge and expertise. Do they know how to carry out the program that you're asking them to carry out or that they are suggesting they do for you? Do they have the financial management staff and systems in place? Have they had staff turnover or other staffing issues? Have they had complaints or audit issues?

You'll see those same things come up here on this slide. So we're having the same thought process here. If we've got subrecipients carrying out large complex programs -- I hate to pick on housing rehab, but I'm going to have to pick on housing rehab again as a common example. Housing rehabilitation programs have a lot of components, and they have a very human element related to them in terms of personal interaction with families and so forth. So having rehab programs, for example, under Disaster Recovery, pretty large program. Money needs to be spent quickly. There's a lot of requirements that need to be complied with from income documentation, duplication of benefits, environmental review, relocation, etc.

So looking at those programs that likely would generate potential issues just by the nature of those activities is one way to go. Again, the size, just the sheer size of the program and complexity. If there's a number of subrecipients under the subrecipients, or if they've had to contract out for pieces of the services, then that may be something to consider in terms of looking at that program first because it's got a lot of layers, a lot of players involved. So, again, looking at the internal information you have at your disposal. Your grantee will need to be obviously submitting documentation for payments for draws. So you can use a lot of that information to determine whether or not you're seeing issues there.

Their financial reporting and the reporting that you'll need to provide to HUD, vis-à-vis DRGR, will give you information you need for the risk assessment in terms of timeliness of expenditures, and any findings or issues as far as documentation and calculations, anything like that. Again, staff turnover, look at that. That's often an issue. If key staff lead the agency, are the staff that's left or the new staff going to be able to carry things out in a way that's going to continue to be compliant, at least for the short-term. And obviously if there've been citizen complaints, audit issues. Sometimes, unfortunately, we even need to consider some of the media feedback that you might get regarding a program and it's responsiveness or what have you.

Your HUD reps are very knowledgeable about risk assessment and how this is done and how it's been used well, and not used well, and so forth. Again, I encourage you to work with your fabulous Disaster Recovery reps on structuring this risk assessment. Again, speaking to frequency, the regulations do not require specifically that you monitor subrecipients at least annually. It's highly encouraged that you do that. And in some cases, again, making sure that you're monitoring even more frequently based on your needs assessment or your risk assessment based on that complexity issue and the size of the program and how fast things are moving.

Once problems start to arrive, I tell folks this all the time when I train for them on -- for example, Davis-Bacon, compliance. If problems start to happen out of the gate, and they're not caught early, the long -- more time that goes on, the harder it's going to be to resolve those issues and clean things up. So one thing that's sort of a best practice in that component of monitoring related to labor is fast and furious, sort of early on intense monitoring oversight to make sure they're off and running on the right path, understand what's being required, kind of help them understand requirements, straighten things out, and then it can kind of ease off over time if there's some comfort level around performance and spending and output.

Monitoring, though, can be a combination. A lot of people think of monitoring as the onsite sort of take a team of people, stay a few days, go through files, look at records, go visit the sites, that sort of thing. That's certainly part of monitoring, but by monitoring we're meaning something more generic in terms of just that oversight. So this can be done sort of desk monitoring after your grantee office using the information you have, or requesting that some things potentially be sent to you to review on a periodic basis.

We do highly recommend that you have some sort of checklist or something that you're using to kind of ensure you're not missing anything as far as the monitorings go, as well as making sure things are consistent between staff members who may be performing, monitoring, or oversight so that one person is not looking at one thing and another one is looking at something else and something is getting missed. So using some sort of policies, procedures, and checklists are helpful.

And HUD has its own CPD monitoring handbook. And a subset of that handbook of course is on CDBG and CDBG-DR. There's a specific checklist for DR, so we encourage you guys to -- you can even use that as a starting place or to do sort of a self-monitoring on your end as a grantee, and that resources -- that link is provided in the last few slides for you.

And finally, we mentioned this earlier, but be sure to include folks who actually know what they're looking at, who can talk the talk and walk the walk so to speak. When I first started working in this field 30 years ago, I was asked to do monitoring of subrecipients. And the programmatic side, I really felt like I had now understood the rules and requirements, what we asked them to carry out, looking at performance.

But the financial side of things is not my cup of tea, and it's not something I was ever trained for, went to school for, etc. So looking at journals, and ledgers, and bank statements, and audit reports is not always the same person potentially who may really know the program and the regulations and when there's issues there. So really, again, think about staffing this responsibility, and who's going to actually go out and do the monitoring or do the desk monitoring at the office in terms of looking at these things and understanding where there might be issues and helping to resolve those.

Thoroughness, again, here we're just talking about sort of how far do you drill down. When you - you, as a grantee, have to ensure compliance with all the requirements. So there is sort of a high level of performance in terms of overall delivery of the services that the subrecipient is carrying

out. Then you've got sort of that layer of the administrative and management system, staffing, payment of staffing, some of the overall fair housing and other requirements that apply to the organization, and that sort of thing. And then at another layer you have those financial management requirements, and yet another layer you have the actual sort of beneficiary -- what we call case file sort of level, so individual households being assisted, going -- drilling all the way down to that level, looking at that individual household, how do they qualify, did it follow procedures, was the income documented properly, was duplication of benefits documented properly, all those various things at that beneficiary level that need to be explored to make sure there's not any issues cropping up there.

You'll see a number here provided for you as far as going down to that very detailed level, sort of in the weeds, if you will, of 10 to 20 percent of the files. That is totally just a rule of thumb. That's just a starting place. Your policies and procedures should guide this, your risk assessment should guide how many of the individual sort of case files you might explore or look at in an in-depth monitoring, and let the red flags be your guide.

And by that I mean if you're seeing issues file after file after file, you probably need to keep going and figure out that that's a pervasive problem, here's why it's happening and here's how we need to resolve it verses if there's no issues, files are clean, well-organized, you're seeing consistent documentation, you can probably sort of back off and not have to look at every single file, that sort of thing.

So that's what we mean when we talk about thoroughness. And related to that is, okay, as the person monitoring and raising issues, and I've been in these shoes before, it's difficult to tell a subrecipient and folks up the chain in your agency that there's a problem, or multiple problems, so it's important to make sure, again, using your different procedures, checklist, things like that to document what you're finding, look for patterns, look for evidence as to why things are occurring. Is it just a misunderstanding of the requirements, or is it some sort of more egregious gap in the procedures, or something even more flagrant. So is it a one time thing, is it easily fixed, or is it something more pervasive that's going to require some other kind of remediation.

If it's the latter, this is where you want to kind of get folks together and make sure you're safe and sound in terms of your issues you've identified and the recommendations you're going to make to resolve them, and potentially starting to involve your HUD staff as well so that they can be at the table and try to help you troubleshoot.

And then you want to have a feedback loop. Our chart earlier, probably I should've had an arrow that goes all the way back around all the other boxes. But essentially what we mean here is keeping track of these different partners, where they are, when they've been monitored, what the results or issues were with that monitoring, making sure that the different staff at the grantee level who need to know do know.

And by that I mean sometimes with staff who may do the monitoring may not be the same folks who are making decisions about changing program design, or adding additional funding to an activity through an action plan amendment, things like that. These things all feed together, and so making sure you have that communication loop between subrecipient performance and

compliance to any program design changes, programmatic/administrative decisions at the grantee level.

And then this should not certainly be last. It's last but not least, which is considering some sort of process providing training, or guidance, or technical assistance, whatever you want to call it, but even your best subrecipients are going to have a hard time keeping up with all the requirements, especially if things change in a disaster recovery scenario. And they are going to have staffing or some other changes or issues that come up.

So making sure that you have, again, the communication loop open to provide them with policy updates, training on certain elements of the rules that are new or different, like duplication of benefits. Not a lot of entities have dealt with that, because they've never done Disaster Recovery before. So how do you train them up to make sure they can do what you need them to do, and feeding that back into your monitoring and communication loop.

All right. So before we get into the very exciting topic of record keeping, Shawna, I wanted to stop and see if we have any questions.

Shawna LaRue Moraille: We do not, Kelly. So if folks want to write in their questions in the question box, we would love to hear from you.

Kelly Price: I'm feeling -- I don't know if that's good or bad. We'll keep going. Well, good. I know this topic is, for some folks, old hat, and some folks it's totally new, so it could be a combination of the two. I'll keep going. The second part of our presentation, again, is going to be on record keeping. These two do go hand-in-hand. The reason why they were put together, they're all about sort of how you're going to manage and implement the program and demonstrate compliance.

So on this first bullet here we have why is record keeping important, you have to do it. You have to do it to document compliance. The only way to demonstrate compliance with all of the various rules and requirements is to have the records to back it up. And even in this day and age of electronic records, that's still the case, and we'll talk in a minute about how electronic records come into play here, but it's all about documenting compliance.

If the records aren't there to back up decisions to back up who funding was provided to, all those sorts of things, something will be deemed essentially out of compliance because the records weren't there to back up the issue. So obviously record keeping requirement remunerated in the CDBG regulations. There'll be additional requirements that come with Disaster Recovery Funding, so be sure to pay attention to those, especially new grantees when your Federal Register Notices come out. Again, pay attention to subsequent Federal Register Notices that come out that will follow your initial one with clarifications and waivers and so forth. They will also clarify in specific situations what the record keeping requirements might be for a specific activity.

You also want to draw [inaudible] other crosscutting laws and regulations. All of the other federal things like environmental, relocation, Davis-Bacon, their housing. They all have records

and [inaudible] to be kept in those -- remunerating those regulations, and also 2 CFR 200, which is sort of our new version of the uniform administrative standards, financial management, etc. They all have record keeping sections noted in those regulations.

For CDBG I'm going to talk about just [inaudible] category, general administration, financial management, projects and activities, specific records, records pertaining to the National Objections, which is a big component of CDBG, eligibility of individual households under certain activities. What basic records do I need to have for those units, the local government, and subrecipients, and then again, the waivers, and alternative requirement. How long do I need to keep the records? Where can I have those available? Again, this is where the electronic record issue comes into play. And what do I need to do in terms of website requirements? That's something new, so we'll talk about that as well.

Why is record keeping important? We already talked about that. It's important to demonstrate compliance. It's also important to make sure that you're documenting decisions. And anytime you're a public agency carrying out programs with federal funds or other taxpayer funds, obviously there's interest in decisions that are made by the public, and the media, and so forth. But certainly with Disaster Recovery Funding, those pressures are magnified. I wouldn't dare put a number on how magnified, but certainly magnified if some of you existing DR grantees can speak to.

So not only will record keeping help you demonstrate compliance so you don't have findings, or audit issues, or any sort of fraud, that sort of thing, but also helping to document how decisions were made, why they were made, and when something might be questioned that they were made consistently in terms of who was hired from contractors to which applicants received assistance, that sort of thing, so demonstrative compliance is critical, but also to document decision making.

Again, record keeping tells the story. The records do tell the story of the activity from initiation to completion, and sometimes even further after that with national objectives. So expect -- the case file would tell us sort of a story.

What are your responsibilities? This slide is labeled key grantee responsibilities for record keeping, you've got to have a process, a process for acquiring, organizing, storing, retrieving, and recording information. That's a lot of components, but I'm hopeful that you printed out these slides before hand or you'll do that after the webinar and highlight those terms, because it's all about getting the records or knowing where they are. How are they organized? They need to be organized in a clear, consistent manner in order for the parties that come to review those records can actually, again, see the story. They can tell what occurred, that everything is there and in one place.

So where are the records? Who has them? How are they organized? How are they stored? That, again, gets sometimes into electronic records and archiving of records. How can you retrieve the information? Again, if it's electronic in particular. To say that it's on a system that, oh, well, we use X database system and everything is in there is not going to work in terms of monitoring and audits. There needs to be access to the system. You have to sort of see how things flow through

that system. And long-term, the grantee needs to make sure they own that data and can access it long-term after your contractor, what have you, is gone. So keep that in mind, and then reporting.

All of this stuff feeds into multiple reports that you'll do not only for DRGR for example, but also for recording equal opportunity data to hide labor information [inaudible], all that sort of stuff. We recommend that you have someone on staff who's responsible for just making sure the record keeping [inaudible] staying on top of what's required, potentially creating those policies, procedures, checklists, and amending those as-needed. And that could be the same person who also [inaudible] in charge of monitoring overall, or what have you. But have somebody who's sort of job it is to be your record keeping guru, or what have you, at the grantee, and overall sort of guiding that element of your administration.

And we'll talk in a minute about website information, what gets posted there. Again, particularly because of these webinars are focused on our new soon-to-be coming Federal Register Disaster Recovery grantees and some of the National Disaster Resilience competition grantees, we want to make sure that you understand that you're going to need to alter and sort of get up to speed, if you will, what you do on a normal day-to-day basis which CDBG funds verses DR funds. So a lot of additional requirements, or clarifications, or waivers are going to be executed through the Federal Register Notice, and potentially subsequent notices and other guidance.

And so keeping on top of that as that happens, I know with our work in New Jersey that that's a job into itself to keep up with all of that, have ways to index all of that information and convey it out to the different parties that need it.

Also work with your CPD representatives. What's the expectation for this particular program? Is this sufficient? What do you recommend we do in this situation? That sort of thing. And of course the checklist that HUD uses itself would be helpful. Here's where we'll go into some of the sort of groups of records that you need to keep. I want to emphasize, and I won't read all of this information. I know you're capable of reading this, and may be falling asleep by this point, but hopefully not. I want to make sure, though, that I emphasize that on these slides are a good number of the things listed in the regulations and sort of best practice. But this not intended to be all-inclusive.

This is not everything you need to keep. It would almost be impossible to kind of get that all into a couple of slides. So this is the big stuff. But, again, I want to encourage you to make sure you're always going through your CDBG regs, DR regs, federal notice, crosscutting regs, and 2 CFR 200. But general administrative records, of course, are going to be your action plan, and behind that, of course, your unmet needs assessment and all of the information that went into that. In the amendments that were issued, your certifications. Disaster Recovery grantees now have financial management sort of packages, if you will, on certifications that are signed as part of this process, so all of that information and the documentation to back that up.

Of course your grant agreements, and your subrecipient agreements, and so forth you would have. Your budget of the activity, budgeting and DR -- in the DR world, if you will, is an important element. So what does that overall budget look like particularly if it's changing over time? Making sure you have a current budget that reflects the activities that you are funding. And

if that reconciles with what you have in your action plan in DRGR. Information about the location and eligibility determinations under each activity, how are those decisions being made? Again, what are the policies and procedures?

Personnel file, Disaster Recovery Funds obviously are used to pay administrative costs, and so who are those folks who are being paid for out of CDBG funds, and the information that's required there, including equal opportunity information. Obviously all of your HUD monitoring correspondence, inspector general if that's the case. And you're monitoring correspondence back and forth with your subrecipients, which I'll talk about in just a minute.

Citizen participation, and later here on the slide you'll see limited English proficiency. Those two elements of citizen outreach, public hearings, responding to comments on action plans, comments from public hearings, any additional outreach that need to be done in alternative languages under LEP, under language assistant plan for example, all would need to be part of your general administrative records. Also Fair Housing/Equal Opportunity, again, the requirements here all apply. So you're using the logos, using the language, you're keeping the different information required there in terms of demographic data for personnel and beneficiary, Environmental review, [inaudible] component here obviously, all the various Environmental Review records, and I'd encourage you to attend the final webinar for more information on that, and all your other crosscutting stuff, your Davis-Bacon, lead-based paint, etc.

In terms of financial -- again, 2 CFR 200 is going to have the most information on this in terms of expectations. Again, your budget, the counting procedures, internal control procedures, your payment procedures and process, procurement files. We said that if we're going to use contractors, or we need to buy any goods, or equipment, anything like that that's eligible, how would that good or service actually procure it, and was it in compliance with the requirements? So all your bid documents, RFP, RFQ, how decisions were made, rating, ranking, any grievances, that sort of thing.

If property is purchased, there are records in terms of that property inventory, equipment inventory, the current fair market value, etc., all the bank account records, draw-downs, payrolls, audits, obviously very important. One thing I'll point out here that's on our later slide about subrecipients, subrecipients are subject to the same audit requirements as a grantee that are outlined in 2 CFR 200. And this is the year that we're transitioning from OMB Circular A-133 to Part 200. You need to have a system, especially if you've not worked with subrecipients before to make sure that those requirements are applied properly in terms of when they have to have an audit and when they don't, and that that audit is actually submitted to you as a grantee in the required timeframe in the regulation.

If there are issues in the audit that those are followed up on and resolved that that loop is close, that's really important. And then obviously any other correspondence.

For your individual projects and activities, it's really going to depend on what projects and activities are being carried out. So this is going to vary from program to program or activity to activity. And this is where you policies and procedures become really important, and sort of individual checklists become pretty important tools. Obviously you need to document the

eligibility of the activity. Where is it allowed under the statutes, the regulations, the Federal Register Notice? What the national objective is, and I'll talk more about that in just a second. Your agreements, obviously again with your local government or subrecipients or your contractors. Individual beneficiary information still required. You need to keep information not only for the proper purposes of reporting to HUD in DRGR for example, but also for the Fair Housing Equal Opportunity requirements that apply.

So race and ethnicity information is still required. Apparently there's been some confusion about that recently. Again, special requirements. For example, environmental review [inaudible], I had environmental review earlier on the general administrative slide. Sometimes there's sort of different layers of environmental that may be required under maybe a tiered review, for example, which we'll talk about on our webinar. And so sometimes the site specific review is actually done as part of the individual project or case file. Draw information obviously, every single dime, every single penny that's drawn from CDBG-DR needs to have documentation behind it, and the status of the project.

The next few slides actually have some very specific information to DR. The slides that I did before are a little bit more generic. They would apply almost to any CDBG regular program. But the next few slides are things that are unique to CDBG Disaster Recovery. And these were talked about in previous webinars. We had a webinar on duplication of benefits. And we had the webinar initially on activity eligibility and national objectives. So this will be a review of that, and will be fairly high-level.

Again, we encourage you guys to go back to those other webinars and print those slides out, or other resources that we have a connection to at the end of the presentation. But in addition to documenting those things we talked about earlier about the activity being eligible, meeting a national objective, complying with all of the other requirements, we also have to make sure that we're documenting what's called the tieback to the disaster.

So tieback to disaster means that the activities and projects are related to recovery from the disaster. And "recovery" is an important term here. But every funded applicant or project, depending on what's being carried out, has to have a tieback to the storm. And that can be a direct tieback or a direct impact, which will be sort of what you might think of as sort of that obvious physical damage; right? So damage to a home, physical damage to a home, physical damage to a business infrastructure, that sort of thing, that's sort of the obvious example. But it could also be indirect impact, like things that cause some sort of economic impact, loss of job, that sort of thing.

So tieback to the storm is important to document for every -- required to document for every applicant that's funded, every project that's funded, so that's additional element that needs to be in the files that you would not have dealt with normally obviously with your regular CDBG.

All right. Now this is different from duplication of benefits. Again, we did a webinar on that already. Duplication of benefits comes from the Stafford Act, which overlays with your CDBG-DR requirements. And so I'm going to talk about that more in just a minute.

Tieback to the storm, here's a couple of different ways you can document that in case -- again, this was in the other presentation, but in case you're kind of thinking, well, how do I do that, that would be inspections essentially, or estimates, photos, that sort of thing that document that actual physical loss that happened to a structure. Again, those are the more direct, obvious impacts. The second level would be those indirect, or sort of non-physical losses like economic impacts to the local economy. That often is done through some sort of analysis study, that sort of thing, that may relate to how many days the electricity was out and folks were unable to get to the business district, whatever it may be.

That you want to work with your HUD folks to sort of figure out what is appropriate and acceptable to document those more indirect impacts. We want to note here that just because an applicant, or a building, or an infrastructure is in a certain county that was designated as a disaster area does not necessarily mean it has that tieback. That particular property -- project has to have been damaged by the storm, or you have this analysis that documented that indirect, more economic impact.

As I said, duplication of benefits, a little bit different issue. It may feel a little bit the same, but different issue applies only to Disaster Recovery Funding. And again, we did a webinar on this already. But you need to have policies and procedures on duplication of benefits and how this will be -- how the information will be gathered, how it will be applied in your individual program design, and how you will document the actual duplication of benefits calculation. I think it was Bonnie Lester that did that presentation, and she talked about how you need to make sure you identified the need.

The need is not the same as tieback. You have to have a tieback, a -- b, you have to have a need. That need is the unmet need. And that unmet need is going to be whatever potentially was not funded by another source. Small business administration, federal emergency management association, insurance, private insurance, anything like that, those other sources of assistance that potentially were provided to, say, a homeowner, property owner, business owner, communities, what have you, to help to recover from the storm.

And so, again, Duplication of Benefits Webinar talked through how you do all of that, but these are the different things that HUD would be looking for, other agencies would be looking for potentially in your file to make sure you've actually documented that. So did you identify the need, identify those other sources of assistance? Verify those sources of assistance in terms of amount and other calculations. Calculate how much CDBG-DR has been required or needed, and then some sort of agreement that the household, business owner, what have you, will find regarding duplication of benefits, and that sort of thing. So this would be expected for every project you're going to do under CDBG-DR.

Documenting national objectives, another element. Documenting national objectives sometimes is something that's done upfront when you fund an activity, and some activities it's done over time as you actually complete an activity. You have an occupant move back into a home, a business owner gets assistance, what have you. Marsha Tonkovich did our first webinar on Eligibility and national objectives, so there's very detailed information there. You also have the State Guide to national objectives and Eligible Activities, and of course your regulations. So I'm

not going to go into a whole lot of detail here about all the various ways to document all of these various national objectives that you see on your screen.

I'm going to talk about the ways that some of these are a little different under Disaster Recovery, and focus on that documentation. So I'm actually going to start from your right there on the slide, the box that says "urgent need." These are the three different ways to document national objectives, urgent need, slum/blight, or low/moderate income benefit. Urgent need typically is used to address emergency situations like a disaster recovery situation. Now urgent need activities do not count toward your low/moderate income for targeting requirements that you needed to meet overall for your funds. So these activities tend to be limited, but in a normal situation. But in a disaster situation, this becomes more relevant and is used more than regular CDBG.

So the traditional urgent need test, if you will, that's outlined in the regulations is that existing conditions pose a serious and immediate threat. They're recent, or recently became urgent generally within the 18 month timeframe, but the recipient can't finance the activity on its own, or fully on its own, and other funding sources are not available, which is something that you're looking at through duplication of benefits. That's the general criteria.

For those of you under -- Sandy and the other grantees under Public Law 113-2, there were additional provisions made here for documenting urgent need. My caution to the new grantees, such as those in Texas and South Carolina, for example, is that your Federal Register Notice is not out yet, so we can't guarantee the same waiver may apply to your funding. But did want to cover this for those grantees that it does apply to as well as make you aware of this. So additional documentation for urgent need considerations for 113-2 that may or may not apply to the new funding would be that 18 month requirement is waived, so you have about two years after the date HUD obligate funds to the grantee in terms of documenting that urgent need.

And then you have that amount of time to respond to disaster-related impacts, but this needs to be referenced in the action plan as to the type, scale, location, etc., of those impacts and the program or activity that's being carried out. So in other words, we're back to that tieback issue. Why is this activity necessary? What's the tieback to the storm? What's the analysis that was provided to back that up? It gives you a little bit additional flexibility there, and we'll see if that's in the new Federal Register Notice.

For low/moderate income housing activities, traditionally our CDBG single-family units must be occupied by low and moderate income persons, otherwise it's 51 percent of the units, and that will hold true for the most part in a disaster recovery situation. So what are you documenting? You're documenting how much funding was put into a housing activity, CDBG and non-CDBG. Obviously characteristics of the household that received the assistance, so the size of the household, their income level, any of their demographic characteristics, as well as obviously duplication of benefits that we talked about earlier and the tieback to the storm.

And you want to have a written agreement with each property owner that outlines your program requirements as well as any of the federal requirements that would need to be passed on to that entity, like flood insurance for example. For rental housing, the requirement, again, is 51 percent

of the units need to be occupied by low and moderate income persons. However, we do have listed here as the last bullet that there is a pro-rata option. I want to be sure folks understand that that is a waiver for New Jersey under the Sandy Funding only for now, and so, again, just something to be aware if you're a new grantee, but you need to see what comes out in the notice that you receive and any subsequent notices after that.

But pro-rata option, all we mean there is something similar, for example, to the home program where the percentage of funding, number of units that are low/mod need to equal each other. So if you're putting 20 percent of the funding into a multi-family project, 20 percent of the units, at least, need to be low/moderate income, so you're getting your share of units, if you will. And that's assuming those units are comparable, and for the size, amenities, finishes, that sort of thing. So keep that in mind, but otherwise, 51 percent, low or moderate income at an affordable rent, you're obviously collecting information about the tenants for that initial national objective documentation and conveying all of the stuff in the written agreement.

Job creations, just real quick, nothing really different here as far as Disaster Recovery necessarily. If there is something to come out of being in the Federal Register Notice, or what have you. Low/moderate income national objective, what you're documenting is that jobs are either created or retained, and that 51 percent of those jobs are low/moderate income person. There's a full-time equivalent position written agreements with the businesses, they're going to have to provide documentation of what those jobs were, what the salaries were, and household information, all of that kind of stuff.

Now when we talk about housing and low/moderate income jobs, both of those activities are what we call direct benefit activities. They're our direct beneficiary in terms of persons filling those jobs, or retaining a job, or receiving the housing assistance, either as a homeowner or a renter. They're direct benefit activities, they're going to need to follow all of the income documentation requirements that come with that. Same thing you would do under your regular CDBG program. You've got three definitions to choose from. You're looking at the anticipated income during the 12 month period, and you're going to document that by all the information that the household can provide about income from jobs and other sources.

There are some sort of presumed categories here. I won't go through all of these, but these would be the kind of things where essentially a household that's qualified through another [means ?] tested program, so these would be some of the programs like Workforce Investment Act, or they're homeless, or received a certification, or some sort of -- something from another agency that they qualified for that has already verified some level of income, or some other criteria to participate in the program that could reasonably be presumed to be at or below that low income level.

Slum/blight, slum/blight criteria, no major distinctions here between what you are used to in your regular CDBG program. You'll want to look to both area slum/blight as well as spot slum/blight. And the criteria are essentially the same as we've spoken about before. So what are the boundaries of that area that you're documenting as slum/blight? What are the conditions? There's specific criteria you need to look at in terms of the housing, the infrastructure, all of that. How

the activity will actually address that deterioration, and then for rehab you have some additional requirements about the property standards that need to be looked at.

Spot basis is where you have one parcel of property, one unit, one structure, what have you, on a specific spot that's not part of an area that's slum/blight, but that particular tract is. You need to document the condition of blight, and for rehab, show that there's a public health and safety issue and so forth. So, again, those things are not necessarily different from what you're used to there. The urgent need and potentially the housing are the two where there have been distinctions made, at least in recent allocations.

Finally, in this section, what are some of the key records for unit to local government and subrecipients because, again, they're essentially treated the same. Again, how did you document the selection of that entity? What was the application process, RFP process, whatever it was that was used to select those entities? What's the written agreement? That written agreement included everything it needs to have in it. Has it been amended, etc.? Audit reports, monitoring reports, all your progress reports, draws, information you're going to need for DRGR, for example, to feed up into that system, and other correspondence about issues.

Now these are things unique to records on unit to local government and subrecipient, but all of the previous slides that we just went over about records also apply to units, local government, and subrecipients as well. These are just the things you need to keep as a grantee that sort of document your relationship and payment and oversight to those entities. But they have to keep all the other stuff that we just talked about that the grantees have to keep as well.

Okay. Chantel, poll number two.

Chantel Key: Thanks, Kelly. So for our second poll is, do you have or are in the process of adopting a fully electronic record keeping system? We have yes, no, and unsure. The polls are now open. I think we have about half of our participants have voted so far, so I'll keep it open for just a few more seconds. Okay. I'm closing and sharing the results. And we have 61 percent voted yes, 29 percent voted no, and 11 percent voted unsure.

Kelly Price: Okay.

Shawna LaRue Moraille: And, Kelly, we do have a couple of questions.

Kelly Price: Okay. Great. Let's do those now.

Shawna LaRue Moraille: Just real fast, one person just asked about keeping up on Federal Registers and CPD Notices that apply to the DR program, so you might just want to cover the HUD Exchange.

Kelly Price: Oh, how to keep up. Okay. I see what the question is. Yes. I would recommend the best place to go -- and Jennifer certainly jump in here -- would be the HUD Exchange, so hudexchange.info. I would hope that you're signed up on the Listserv, so that's the first place to get any announcements when notices come out. Almost always there is a notification that goes

out with a link to the HUD Exchange, and then that has a link to the different documents. But at all times, those things are all posted and organized in a manner that you can see in chronological order actually, at least for the open disasters and Sandy included. All the information is there.

And then from that what I would suggest because the subsequent notices that come out do have unique elements that are specific to waivers that are requested by grantees that, again, it's someone's job to sort of track those and highlight the ones that apply to you as a grantee. And by that I mean some of these have something specific to New Jersey, some specific to Pennsylvania, what have you. Not all of the waivers or clarifications apply to every grantee in those subsequent notices, but everything is posted on the HUD Exchange, and you will receive notice if you're signed up for that. Jennifer, anything else you would suggest here?

Jennifer Hylton: No. I think that's good. I mean, what I usually do -- that website can be a little overwhelming, so -- sorry if you said this already -- but what I always do is I go to that website and then if you go to manage a program, and under there you can find CDBG-DR. And when you click on that link, that takes you to the DR specific page on the HUD Exchange. And then there's a link there that takes you to all the CPD Notices and Laws. So you can go right there, and all the notices are in one place. That's where I go all the time, even though I know I have them on my desktop. It's just sometimes easier to go there. And it has the dates of the notice. You do have to open the notice to see if you're not sure if it applies to you, but they're all in that centrally-located place.

Kelly Price: Right. They're all there. Exactly. And then I've heard stories, Jen, I know our staff, we keep literally -- some people are paper people, some people are electronic, but keep notebooks of all of those, everything is sort of tabbed, and indexed, and highlighted, and all of that as well. But that's a great question. Shawna, what else do you have?

Shawna LaRue Moraille: There's a couple -- folks are interested in what they need to keep as the grantee verses their subrecipient, electronic verses paper, which you're going to go over next, that type of thing.

Kelly Price: Okay. That's great -- those are both great questions. We will cover the sort of retention of records as well as how the electronic record keeping, and all these different database and electronic systems are coming into play. We don't have all the answers for that, honestly, because things are changing so quickly in that world, but we will talk about that a little bit. As far as what a grantee needs to keep verses a subrecipient, you're keeping essentially the same type of information. Again, the slides we went over earlier, there's sort of a level of general administrative stuff. There's a level of financial management records and information. And then it's going to kind of depend on the different program -- activity being carried out by the subrecipient.

So if a subrecipient, again, the most common example of carrying out, say, a homeowner rehab program or a business loan program, then they're going to likely be responsible for, which you're going to convey in your written agreement on all the records that pertain to the day-to-day administration of that program overall, all the financial management records that pertain to that

program overall that they're carrying out, as well as the individual assistance records, I would call them, so that's the records.

Sort of again tracking folks from application or even prior to that, marketing and outreach. Application, income documentation verification, duplication of benefits, tieback to storm, environmental checklist, how much assistance was provided, how that was paid out, what was it paid for, if it was rehab, did inspections occur, that sort of thing. Agreements were put in place with each individual recipient, all that sort of information.

So there's a level where there's a lot of commonality. There'll be some things that only a grantee keeps like action plans, action plan amendments, your procurement records, for example, that you'll keep about you hired as a grantee to help you run the program about your decision making on your subrecipient, your overall personnel, and EEO records for example.

A subrecipient will retain some of that same information, but down at their level, depending on what activity they're carrying out. One thing I would say is that you want your grant agreements to clearly outline what grantees keeping verses subrecipient. The subrecipient is responsible for keeping details and comprehensive records on your behalf as an activity then again that monitoring and oversight is absolutely critical.

You don't have the information readily at-hand and available to you because they're carrying it out day-to-day. You need to know that that's actually happening, that they're collecting and storing the right stuff and that you, HUD, IG, any other parties that are allowed to have access to those records can actually do so, that those records are readily available, they can be accessed in an organized manner, and some sort of analysis and review is done on those.

So I know that's not a perfectly clear answer, because it's one of those "it depends on what they're carrying out" and "it depends on what sort of duties you've subbed to them, you've sub granted to them in terms of day-to-day responsibility". But if you're going to have a subrecipient carry out activities on your behalf, then you need to be clear about what it is you expect in terms of record keeping and access to those records and so forth. And what happens to those records when the program is finished, or some other unfortunate situation occurs, being able to get those records back to a grantee.

Now HUD -- I don't want to you guys on the spot certainly, but Jennifer, I'm sure from your perspective in terms of all the monitoring you guys have to do. I know you just did a round of different monitorings and stuff, anything you'd like to add about the distinction between what grantees are keeping and what you see maybe subrecipients keeping, or not keeping, or issues there?

Jennifer Hylton: I mean, I think you covered it, Kelly. I think the big thing is just to make sure that you're on the same page with your subrecipient. And if you're expecting them to keep things and be ready for HUD monitoring and be able to give you that information quickly if a HUD monitor is coming or an OAG is coming, you just want to make sure that you're not putting the subrecipient on the spot either, so -- that everyone understand for the process what files are being kept where, and then when those files need to be looked at, how that transition is going to work.

Because a lot of times what we have is people -- they'll rush to set up like a SharePoint site right away, and that takes a long time to get the files because they're so big, moved from one place to the other, so you just want to have a plan in place so that happens quickly and seamless.

Kelly Price: Yeah. Thinking about that ahead of time verses after the fact, and, again, putting in your agreement as well as any other -- working together on your sort of day-to-day policies and procedures that will outline some of those things, and also any tools that can be developed. I'm big a fan of what I call "job A" tools, so tools that are checklists, anything you can do in your systems and databases, too, to flag things and document things, whatever it is that works best for you I would recommend. And then we'll get to the second part of that, Shawna, about electronic and so forth here in just a second.

Any other common questions, Shawna, that you're seeing?

Shawna LaRue Moraille: The only other thing I just wanted to mention was somebody asked about documenting evidence that somebody is homeless. So we wrote back to them that you could lean on the HEARTH Act that defines homelessness and also documentation as a good place to start. It's not something defined under CDBG.

Kelly Price: Right. Okay. Yeah. I see that now. Okay. So documenting homelessness, they're -- yeah. It's not spoken to necessarily in CDBG as clearly as it is in homeless assistance program like the HEARTH Act, and the providers who receive funding there as well as [inaudible] the other program. I think you'll want to look to those providers and those programs to make sure that you're using a definition that's reasonable and consistently applied as well.

That's one thing you want to be conscience of in these programs, too, is consistency and how you're defining things, and what records you're keeping so that you don't have an issue of someone potentially being treated differently than the next person who comes along and another decision is made by someone. So I would determine that up front in policies and procedures, put it on your checklist, and that's what you go with.

Okay. Anything else, Shawna?

Shawna LaRue Moraille: Not at this time.

Kelly Price: Okay. Great. So we've got this slide on record retention. This is admittedly a little -- I'm struggling for my words here. A little goofy in the sense of there are a couple of different places where the periods for record retention are actually listed. CDBG has a provision on this. The consolidated plan regulations, which sort of overarch our CDBG program as well as some of the other CPD program also have time periods listed in the regulations. An addition to that, which I don't have here, also again is 2 CFR 200, which has a section on record keeping as well as it applies to sort of your administrative and financial management components of your program, which is a big piece of your program.

So you'll see some different periods here. Your general guidance is going to probably be four years from -- excuse me -- three years from closeout if you're a state grantee, four years if you're an entitlement grantee. So that's closeout of the grant program, four years after that is a period of which you're expected to keep those records available, or at least accessible, excuse me. Now records are subject often to state laws. In different states there are different laws regarding some of the records that you need to keep -- how accessible those are to the public as well as other certain types of inquiries. You've got Sunshine Law, Freedom of Information Act Law, those sorts of things.

They'll also come into play, so I would encourage folks to make sure you consult with someone within your agency, or in the state government, or local government overall who's familiar with whatever your state or local policies may be as well. I would always go conservative and go longer than you think you need to, especially with Disaster Recovery Funding because of the nature of the funding and all the sort of direct beneficiary assistance that's provided. Things can still linger as our folks from HUD probably could tell stories on in terms of the need to be able to demonstrate compliance and kind of deal with issues that come up.

Also open audits, like Office of Inspector General investigations, those sorts of things unfortunately sometimes those things can drag out some period of time, years in some cases. So just because you may have an overarching 3/4-year timeframe in terms of keeping records after closeout, if those issues are still remaining -- any litigation obviously as well you want to make sure you keep anything pertaining to those issues available. Now you're going to have trouble closing out if you have open audit issues or investigations, but it just goes worth mentioning to make sure that information in particular is paid attention to.

Access to records, again, subject to your state laws and requirements as well, but at a minimum, the regs say that HUD and Comptroller General have the right to access grantee and you and the local government as well. Obviously in this case subrecipient records, anything pertaining to the expenditure of your money essentially, no matter who may have helped you to spend it. Electronic records are encouraged, but I know -- and Jennifer, you guys certainly jump in here as well. I know that you're seeing this more in a day-to-day application and out in the field. A couple of issues there.

Again, when we talk about electronic records we're kind of covering a broad waterfront, and there are different variations of this. Shared drives, for example, shared portals, things like that, typically are sort of owned and managed by a grantee. A subrecipient might have one. You can allow folks access to participate and post things in those different venues. That's fine as long as the access is available when it's needed by both the grantee obviously, and HUD, and OIG, or what have you. The ones I wanted to be sure we talked about are electronic records that may be in specific software systems that you have purchased or contracted with a company to develop, maintain, operate for you on your behalf for your disaster recovery program.

And that's okay. It does often help with more efficient administration and financial management components of a program and allow you to automate a lot of that or streamline. That's fine, but the issue sometimes is that once that contract is up with that entity, they take their toys out of the sandbox, if you will, and the grantee is left without total access, or very limited access, or can't

update or maintain things, or store those records in another manner that might be accessible long-term if it's not the same software or platform.

So we just mention that to make sure it's something you consider, but [inaudible] for new DR grantees as you're looking at who's going to help you to run these programs, and get them set up, and implement them day-to-day considering those different elements of data management, if you will, and access is really critical. And there's a lot of new issues that come up with that I'm not an expert on. I would certainly ask you to consult with your -- both your legal folks as well as your own internal IT type folks and make sure that you're considering all those aspects of long-term maintenance, ownership, and access.

You are required to provide access to records to citizens, reasonable access. So you want to have this all outlined in your [inaudible] plan. And most of you are used to that under your regular CDBG program, so there's not necessarily a distinction here, except that, again, we know that with Disaster Recovery by its nature -- because a lot of people are affected, and there's a need to recover in a timely way -- things are heightened a little bit. And so you'll want to make sure that you have a mechanism to provide timely response to request for records. I know you're thinking through where folks can come to view those records, if the issue of copying or electronic access.

And then being careful to consider information that is private information, personally identifiable information it's called. So that would be social security numbers, or anything like that that would jeopardize a person's privacy or identity theft sort of information. So there are some basic rules on that. Now in 2 CFR 200 that -- most of that you're going to have more detailed requirements typically in your state and local laws and internal procedures. But they have access to almost everything except that sort of personally identifiable information, and you'll need to be able to provide that in a timely manner in a way that's accessible, including handicapped accessible if someone needs that provision.

Just some tips, tricks, ideas that we, again, have seen. Checklists, I talked a lot about already, so I won't beat that horse too much more. Any sort of checklist I think and other tools and doing some training really will help. Electronic systems, again, make sure you sort of have a clear understanding of how those work, because, again, sometimes you'll have a contractor, somebody who's designed it, maybe even operating it for you, and that's well and good until they're gone or there's an issue.

So making sure you know how to kind of navigate the system, what it does, where the information is, and that HUD can see what's going on and how decisions were made. If some of those decisions are automated, visa vie, the software, it's going to be kind of hard to see how those decisions are made unless there's documents to back it up.

Do your own internal monitoring. Do self-checks. We talk a lot about this. A lot of you have probably been to training. I know that I've talked a lot about doing self-checks. It's just like going to a doctor and having a wellness checkup verses waiting until you're sick. So you've got the HUD checklist to help as a starting place on that.

Again, we talked a lot about automation and electronic records. One other thing to think is how you're potentially going to link to things like the FEMA data feeds, SBA data feeds, for example. Also any data sharing agreements that you might have with private insurance companies, for example. This stuff comes into play with duplication of benefits in particular. Other charitable organizations that may have early on been involved in collecting information about households and their damage and information on their house for example or their income level, and you want to now kind of link to whatever information that they have and feed that into your systems.

That's okay. Again, just think through that thoroughly in terms of how that might work, what information is sensitive information, what's not, how that will work long-term. DRGR is a good tool to use to upload your templates. You've got a template there on beneficiary data. Obviously you're going to use that to create vouchers. You're going to use that to report on contracts of a certain size. And you can use the DRGR MicroStrategy reports to analyze your programs financially and see where you stand on a number of different factors and to do your clean up. And remember there's a DRGR Help Desk as well that you can look to for additional guidance.

Again, subrecipients, it really depends on what the grantee is carrying out, what you've asked them to do. They need to have their own systems that they're using that are separate from yours. So, again, that consideration outlined in the written agreement, what happens to that information, how could you get access to it, that kind of stuff. And then some of these records we've already talked about, program documentation, income eligibility, duplication of benefits, financial and crosscutting, those are the most common categories that we see.

And then, finally, I'm going to talk a little bit about website requirements. Now another clarification here as we've had a couple other times on the webinar, the website element of this is new. It's new because now we got to get caught up with this day and age in terms of the way the world works, but also as far as being a requirement, this is right now applicable to the PL113-2 grantee. That would be Hurricane Sandy and related disasters in that allocation. With that funding came a requirement to have a website where key Disaster Recovery Funding information is posted, so that the public can access that in a timely manner -- in an accessible manner.

So this is not applicable to those of you who are administering funds prior to the Sandy recovery and/or yet to those of you who are new grantees because you don't have your Federal Register Notice. Jennifer, stop me if I say something inappropriate, but I would imagine given the websites or the way of the world that at least something reasonable along these lines is probably going to be in every notice going forward, but we don't have a notice yet, so I just want to make sure I make that clarification. Is there anything else? Jennifer, just say there as far as applicability.

Jennifer Hylton: Yeah. I think you got it.

Kelly Price: Okay. All right. Great. So general requirement, maintain a comprehensive website relating to all disaster recovery activities. So you want to have information for the public that provides them with access to information on the program, key staff or contacts that they can reach. Of course all of your action plans and amendments, or action plan and all the

amendments, any major reports or information about the program and public comment information. If you're holding a public hearing, for example, opportunity that provides comments, that sort of thing, all needs to go there. As well as you can tie this into some of your Limited English Proficient requirements.

Certainly with Hurricane Sandy and the grantees there, they have a number of other -- languages other than English. That information needs to be translated into -- provide this to the public, so this is sort of a good repository to place that information so the public can find that. And you want to also have your QPRs, your quarterly performance report.

You're required to have a summary of what we call first level contracts and procurement policies and procedures. So if you go to Disaster Recovery website again for the more recent grantee, you'll see a list of any procurement information for bids or contracts that are up for competition as well as those that have been executed to-date with the Disaster Recovery Funding.

Again, all your citizen participation requirements including how potentially to request accessibility, accommodations, and information on programs and contacts. It's fairly basic information you would assume you should have about your program, but now it's the way we need to go, and it's enumerated in this Sandy Notice, at least for now and potentially coming down the pipe.

So I think that's it. So we have just a wrap up slide here to kind of summarize where we are. I would direct folks to -- again, if you've not worked with subrecipients, if you're a state grantee in particular, to make sure that you get familiar with the definition of the subrecipient. The regulatory citation we gave you for written agreements with subrecipients, and all of the other record keeping requirements and so forth that we talked about. Key decisions to make about how you're going to select those entities or partners to work with you. What will be the process? What are the criteria? How are we going to make our decisions, so forth?

Successful programs really do ensure that partners are working with -- have a track record. Have a good track record. Have the capacity, have the systems in place to actually carry out these programs. Good record keeping, absolutely essential as we talked about the whole webinar, making sure you understand what records needs to be kept, who's keeping them, where are they keeping them, access, etc. And using those different tools available to you in terms of policies, procedures, and checklists.

Hands-on and frequent oversight, again, while you're not required to necessarily monitor on a certain schedule, these programs are complex. Getting started is often the hardest part and kind of making sure we're in compliance as well as some of the more complicated programs are going to need a lot of hands-on communication, technical assistance, training, and oversight and monitoring, and then resolving issues in a quick manner. Ignoring them is not going to make them go away or get better. And you have great partners with your HUD reps in terms of how to do that.

So remember, while recordkeeping still may kill some trees, it is your friend in the grants compliance business. It should paint the picture of compliance, demonstrate decision making,

and essentially protect you from any other issues that may come up if you're keeping the right records. So while not the most exciting topic, probably the most critical to effective grant administration and compliance.

And, again, the next few slides you'll see here, and again certainly you can download from the HUD Exchange. We've got the exact links to all the different webinars we've done so far, as well as some of the other documents that we talked about, the tool kits, the regulations, some of the notices as well as [inaudible] monitoring. So all of that is in these last three slides, and you'll have direct links there if you downloaded the slides where you can go straight to that part of the website that Jen mentioned earlier.

Jennifer Hylton: And, Kelly, can I jump in --

Kelly Price: Oh, go ahead.

Jennifer Hylton: -- before we sign off? Can I just jump in real quick before you sign off?

Kelly Price: Yes. Yeah. I was going to do that. Go ahead.

Jennifer Hylton: Okay. I just wanted to make one quick point on the record keeping piece. Us as reps and dealing with these DR grants, one of the most common findings that we're seeing is record keeping. And that's not because people aren't keeping records. It's because when we go and look at the record for a project, maybe it's not organized in a way that's understandable for us as monitors. Maybe there are documents missing. Maybe there are -- all the documents are there, but let's say there are -- you had six drafts contract before you got to a final contract, and all those drafts are in the file, and we're not sure which contract to look at. It's a lot of the times because we -- by looking at that file, we can't tell if you're in compliance.

And it's really because of just a lack of organizing, and I know especially with Sandy everyone has a ton of projects happening. There's a lot of money to be spent. It's a lot of money to spend fast. But we just really want to stress any sort of self-monitoring you can do. I would really stress doing that. Have someone who's not familiar with your projects go through that file and see if they can understand what's happening. Take a HUD exhibit; see if they can answer those questions.

Someone -- because if you go through your own file you already know the story, so it's really easy for you to understand. But if you can take someone from outside of your everyday work and have them look at your file and see if they can make sense of it, I really think that's the best way to sort of get at where HUD is going to be when we walk in the door and take a look at a project file. We don't want to have to grab staff every five minutes and be asking questions or have them explain things that should really be in the file. So we don't like making record keeping findings, and I really think just some of that preparation can help you with that.

Kelly Price: Yeah. That's a really good point. And, again, we can't just nail that home soon enough. Some of our trainers we joke that the files that are the thinnest are the ones -- and we mean that in a literal way, in the old way that they were more physical. But the files that are the

thinnest are the ones that raise the most flags because there's nothing in there. There's no information. And then from there you sort of look at some of the others, and there's often a pattern. And once you kind of get off on the wrong foot on record keeping, it's hard to get back on track.

And I do think there's enough grantees, there's enough history with the disaster recovery program and some good performance, but building on best practices and building on tools that other have created and adapting them for your use is really a good way to go.

And the other thing I guess, Jennifer, I just thought of, too, of course you have the Disaster Recovery Funds have sort of the additional internal audit requirements as well, which probably feeds in here as well is making sure that you're sort of looking at your own performance, self-monitoring, and so forth. But then there's the internal audit piece as well that that information needs to be communicated back to the whole staff and issues resolved quickly.

Jennifer Hylton: There's just so many moving parts, so the more organized you are the better on all that.

Kelly Price: Exactly. Good. Shawna, are there any other questions in the queue while we wrap up?

Shawna LaRue Moraille: Yeah. No. I think we dealt with a few separately. The only thing is a few people asked about the Sandy grantees, about the threshold for contracts. And there is a Federal Register specifically on contract reporting. It's the July 11, 2014 Federal Register Notice.

Kelly Price: Exactly. That's the \$25,000 threshold I believe?

Shawna LaRue Moraille: Yes.

Kelly Price: Yeah. Okay. Yeah. I just read that this morning again. Yes. So, again, those -- all those notices are on the HUD Exchange in order underneath the original Federal Register Notice. And so with that date that you have the answers, you can go there and track it. And then you can download it as a PDF and actually search for the word contract, or \$25,000, or whatever you want to to sort of trigger the location of that information. That's a great question, though. That is somewhat unique also to disaster recovery. Anything else?

Shawna LaRue Moraille: No. I think that's it.

Kelly Price: Oh, okay. Well, great. Well, we certainly appreciate your attendance today. Again, especially those of you who hung in with us the whole time, I hope this was helpful. Jennifer, any other closing thoughts from HUD?

Jennifer Hylton: No. I think we covered everything [inaudible] webinar. Hopefully if you folks have more questions just follow-up with us. And you can always -- the best person to ask is your HUD rep.

Kelly Price: Yes. Exactly. Great. Well, I appreciate the opportunity. Again, thank you all for joining in, and we're hopeful that all of you continue doing the great work that you're doing. It really is important, and we appreciate it. Thank you all.

(END)