

Subrecipient Management & Record Keeping



U.S. Department of Housing and Urban Development

Welcome & Speakers

- Welcome to HUD's webinar series on CDBG-DR basics
 - Webinars will focus on key rules and requirements for managing DR grants
 - Webinars will also share tips & lessons learned
- Speakers:
 - Jennifer Hylton, U.S. Department of Housing and Urban Development (HUD)
 - Kelly Price, ICF International



CDBG-DR Webinar Series

- This is the sixth in a series of seven webinars about CDBG-DR aimed at new CDBG-DR and NDR grantees
 - Specific guidance on the unique requirements of NDR will not be covered in these webinars
 - The topic for the final webinar is Environmental Review; look for a Listserv message soon with the date



Polling and Asking Questions

- Webinar will include some polls
 - If you are attending as a group, feel free to briefly discuss before answering
- How to ask questions Chantel Key, ICF
 - Questions will be taken throughout webinar
 - Written questions: Type questions into the "Questions" box located on your GoToWebinar panel

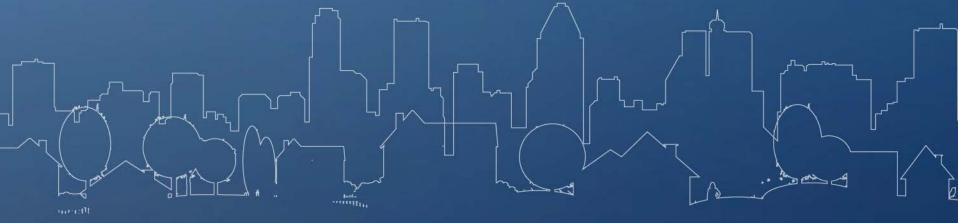




- Subrecipient management
 - What are Subrecipients & what types of other entities may participate in DR programs
 - Subrecipient selection including assessing capacity
 - Oversight and monitoring
- Record keeping & website maintenance
- Questions and resources



Subrecipient Management



What is a Subrecipient?

- Public or private nonprofit agency, authority or organization, or community-based development organization receiving CDBG-DR funds from the recipient or another subrecipient to undertake CDBG-DR eligible activities (see CDBG regulations 24 CFR 570.500(c))
 - Selected by the grantee using specific selection criteria
 - Has responsibility for programmatic decision making
 - Is responsible for Federal program requirements
 - Performance monitored by grantee



State Grantees & Subrecipients

- In traditional CDBG, states only fund Units of General Local Government (UGLGs)
- With CDBG-DR, states may fund UGLGs, but also may directly fund subrecipients
 - If funding UGLGs, may choose to treat as subrecipients or as UGLGs

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- If using other state level departments to administer programs, not technically a subrecipient but may choose to treat as such
 - If not treated as subrecipient, must have some sort of agreement outlining roles, responsibilities & requirements



Who is Not a Subrecipient?

- Contractor
 - Competitively procured <u>and</u> provides a specific scope of services
- Developer
 - Awarded funds for an affordable housing development
 - Can be either a for-profit <u>or</u> non-profit entity
 - Typically organized and/or formed for single purpose or undertaking (e.g., rental or homebuyer project)
- Business
 - Privately- or publicly-held for-profit entity receiving funds as a beneficiary under a program (e.g., business loan program)



Comparison of Subrecipients & Contractors

Subrecipient

Contractor

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Selection	 Designated by the grantee via an application or other selection method 	 Selected by a competitive procurement process (2 CFR 200)
Applicability of Requirements	 Subject to all applicable administrative, financial and cross-cutting rules 	 Subject to requirements for the specified scope of work
Monitoring &	 Must adhere to written agreement outlining responsibilities 	 Must deliver services identified in the contract
Performance	 Recipient monitors all aspects of program 	South Contraction of the second secon

Poll #1

- How many subrecipients are you using or, if a new grantee, planning to use in your program?
 - 1-5
 - 5-10
 - 10-20
 - Unsure



Selecting Subrecipients

- Grantees make decisions regarding the use of subrecipients & other partners
- Applicability of various requirements is dependent upon:
 - The type of entity
 - How the entity is selected
 - The role being played by the entity
- Contractors are procured, but award of funds to UGLGs and subrecipients must be based on reasonable selection criteria

Assessing Capacity of Subrecipients

- Grant management history (track record)
 - Grantee monitoring reports
 - Office of Inspector General (OIG) audits
- Staffing
 - New or experienced
 - Turnover rate
- Program and activity experience
 - Knowledge of CDBG/CDBG-DR
 - Management of similar programs/activities



Assessing Capacity of Subrecipients (cont.)

- Financial and Tracking Systems
 - Adherence to uniform standards (2 CFR 200)
 - Invoice and payment functionality
 - Experience in handling program income
 - A-133/2 CFR 200 audit reports
- Contractor Oversight (if applicable)
 - Knowledge of procurement requirements
 - Monitoring systems in place
 - Understand specific scope of service



Subrecipient Agreements

- Legal means to convey all applicable requirements, roles & responsibilities (see CDBG regulations 24 CFR 570.503) including:
 - Statement of work/scope of services
 - Period of performance
 - Records to be maintained, reports to be submitted
 - Uniform admin/financial & cross-cutting requirements
 - Provisions on suspension/termination & reversion of assets
- Amend over time as necessary

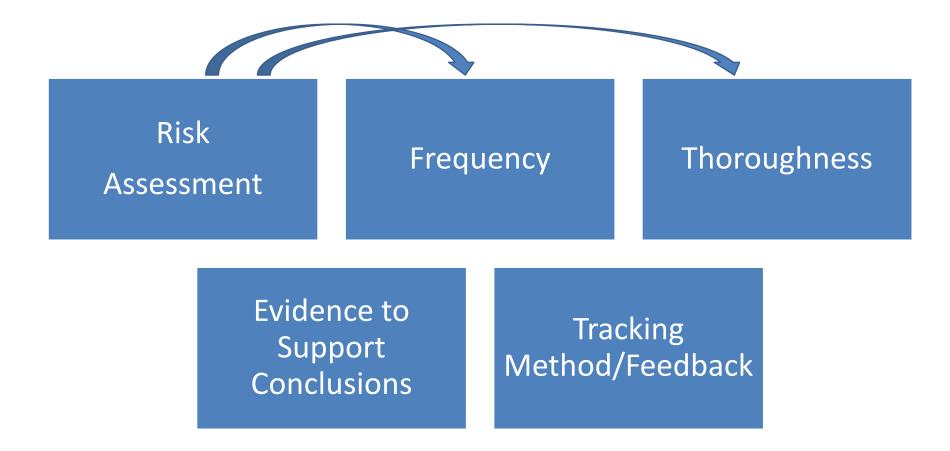


Subrecipient Oversight

- In order to ensure subrecipients are properly carrying out activities, must have oversight mechanisms in place
- Consider:
 - How to staff oversight responsibilities
 - Consider components to be monitored (administrative, financial, programmatic, technical)
 - Have policies, procedures and tools
 - How issues such as nonperformance & findings will get resolved in a timely manner



The Five Habits of Highly Effective Subrecipient Monitoring™





Oversight and Monitoring

- Key components grantees must consider:
 - Risk assessment Who should you monitor 1st, 2nd, etc.?
 - Frequency When do you need to monitor? How often?
 - Thoroughness What are you reviewing?
 - Evidence to support conclusions What did you review? What issues arose?
 - Tracking method/feedback How to track monitoring efforts, provide feedback & resolve issues?

Risk Assessment

- Risk assessment helps to determine who should be monitored when
- Factors may include:
 - Knowledge of program requirements & crosscutting other federal requirements
 - Size and complexity of the program
 - Financial management indicators like expenditure rates, findings
 - Management factors like staff turnover
 - Citizen complaints
- Work with HUD Rep



Frequency

- HUD's encourages grantees to monitor subrecipients at least annually
 - Monitor more frequently based on risk assessment (see previous slide)
- Monitoring can be off site (remote) &/or on-site
 - Recommend remote monitoring as frequently as possible using info on hand
 - Use HUD monitoring checklists as a resource
- Be sure to include knowledgeable subject matter experts (e.g., financial vs. programmatic)

Thoroughness

- Program monitoring
 - Review program policies & procedures, administrative & financial management elements, application intake, oversight of contractors, etc.
 - May need to monitor at multiple layers
 - Draw conclusions based on the program as a whole given documents reviewed
- Project or case file monitoring
 - Beneficiary files: 10-20% of the files reviewed is a general rule of thumb; more if issues found
 - Draw conclusions based upon files reviewed



Evidence to Support Conclusions

- Isolated occurrences
 - Finding a situation one time (e.g., in one file only)
 - Not pervasive
 - Easily remedied (e.g., locate missing information)
- Repeated behavior
 - Across multiple files, projects and programs
 - Pervasive as indicated by several occurrences
 - Remediation required, possible corrective actions issued



Tracking & Feedback

- Monitoring spreadsheet or other tool
 - Program/project
 - Contact information on subrecipient
 - Award amount
 - Contract period
 - Result of risk assessment
 - Monitoring conducted (e.g., desk, onsite, etc.)
 - Issues IDd and resolution
- Feedback loop to grantee staff (& HUD) about issues identified/uncovered
- Feedback to subrecipient in monitoring letter/report with corrective actions
- Provide training & technical assistance



Record Keeping & Website Maintenance

Overview

- Why is record keeping important?
- Primary record keeping requirements for:
 - General Administration
 - Financial Management
 - Projects and Activities
 - National Objectives
 - Income Eligibility
 - UGLGs & Subrecipients
 - Waivers & Alternative Requirements
- Record retention and access
- Tips for record keeping
- Website requirements



Why is Record Keeping Important?

- Accurate record keeping is crucial to the successful management of CDBG-DR funded activities
 - Insufficient documentation is likely to lead to monitoring findings, even if project implementation has been "successful"
 - Could also lead to IG and/or audit issues or accusations of fraud
- A record of a project or activity should "tell the story" on its own and completely



Key Grantee Responsibilities for Record Keeping

- Maintain a clearly defined process for acquiring, organizing, storing, retrieving and reporting information about CDBG-DR funded activities
 - If using electronic records, grantee must have ownership of the records and be able to access the information long term
- Have a clearly identified person(s) responsible for record keeping & reporting tasks
 - Ensure they are properly trained & supported
- Create standardized policies & procedures to ensure no gaps, consistency and streamlining
- Post key info on web site (more later)



Federal Registers, Waivers and Alternative Requirements

- CDBG Disaster Grantees have additional record keeping requirements:
 - Example: Duplication of Benefits
 - Described in *Federal Register* Notices to comply with Appropriations Acts, waivers & alternative requirements
- Grantees should check:
 - Federal Register Notices and ensuing policy guidance for additional record keeping requirements; and
 - With CPD Rep to determine what additional records, if any, should be kept to comply with waiver requests approved by HUD



General Administrative Records

- Published Action Plans and amendments, certifications, etc.
- Executed grant agreement(s)
- Description, geographic location and budget of each activity
- Eligibility and national objective determinations for each activity
- Personnel files
- HUD monitoring correspondence
- Citizen participation compliance documentation
- Fair Housing and Equal Opportunity records
- Environmental review records
- Documentation of compliance with crosscutting requirements (e.g., Davis-Bacon, Uniform Relocation Act, and Lead-Based Paint)
- Limited English Proficiency documentation



Financial Records

- Budget
- Accounting procedures, including internal controls
- Accounting journals, ledgers & chart of accounts
- Source documentation (purchase orders, invoices, canceled checks)
- Procurement files (including bids, contracts, etc.)
- Real property & equipment inventory info
- Bank account records (including PI & RLF records, if applicable)
- Draw down requests
- Payroll records and reports
- Financial reports
- Audit reports and documentation
- Relevant financial correspondence



Project and Activity Records

- Eligibility and national objective of the activity
- UGLG or subrecipient agreement (if applicable)
- Any bids or contracts
- Characteristics and location of the beneficiaries
 Including race and ethnicity of beneficiaries
- Compliance with special program requirements (e.g. environmental review records)
- Budget and expenditure information (including draw requests)
- The status of the project/activity



Documenting "Tie Back" to the Disaster

- <u>All</u> activities and projects must be related to <u>recovery</u> from the disaster(s) covered by the appropriation
- For <u>every</u> funded applicant or project, the grantee must document a tie to the storm. There are two possible approaches:
 - Applicant suffered physical or economic damage from the storm OR
 - Funded project will help to economically revitalize an impacted community, including new construction
- Tie to the storm is not the same as duplication of benefits (DOB)
 - Tie to the storm documents whether the project will directly address a storm-related impact
 - DOB tells us whether that need has already been met by other sources or whether there is an unmet need

Documenting "Tie Back" (cont.)

- Documentation could include damage or building estimates for physical losses or post-disaster analyses or assessments for economic or non-physical losses
 - If grantee is using the economic impact approach, work with HUD to develop an acceptable set of criteria given the disaster
- Simply being located within a declared county is not sufficient documentation – the grantee must demonstrate that the specific project or applicant has a tie
- As time post-disaster advances, documenting tie to the storm can get increasingly challenging

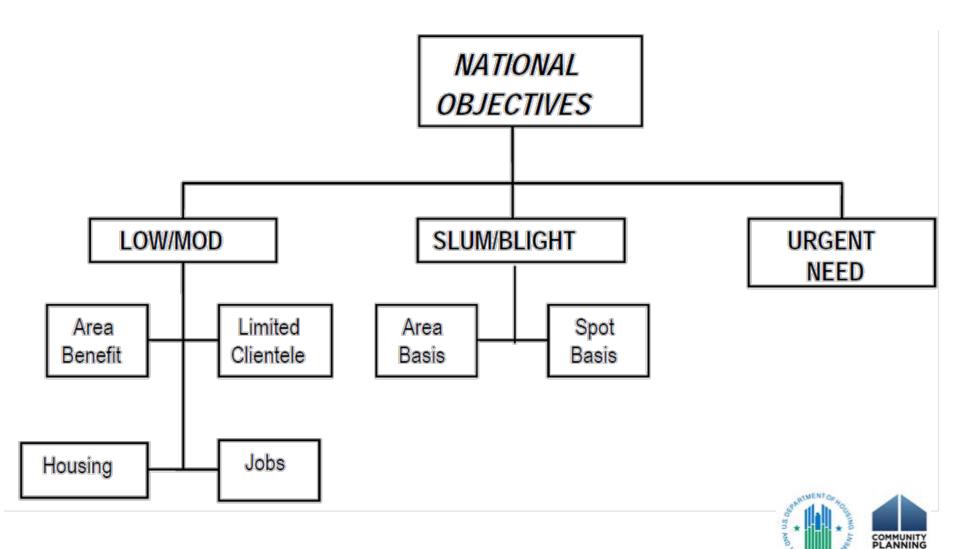
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Documenting Duplication of Benefits

- Overall policies and procedures on DOB, data sharing with SBA, NFIP and FEMA
- For individual files:
 - Identification of CDBG-DR need
 - Identification of sources of assistance
 - For example: FEMA award letter, insurance letter, SBA data provided to grantee
 - Verification of sources of assistance
 - Calculation of CDBG-DR award
 - Subrogation agreement (or similar agreement)
 - Treatment of SBA declined loans



Documenting National Objective



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Documenting Urgent Need National Objective in DR

- Urgent Need (UN) is used to address emergency situations, including disaster recovery
- Does NOT count toward LMI targeting so income of beneficiaries not a consideration
- To meet the urgent need test:
 - Existing conditions pose serious & immediate threat to health/welfare of community
 - Existing conditions are recent or recently became urgent
 - Generally 18 months
 - Recipient cannot finance on its own
 - Other funding sources not available



Documenting Urgent Need

PL 113-2 Waiver

- The documentation requirements of urgent need are waived for 113-2 grantees until two years after the date HUD obligates funds to a grantee for the activity
- Instead, each grantee receiving a direct award under 113-2 must document how all programs and/or activities funded under the urgent need national objective respond to a disaster-related impact identified by the grantee
 - Grantees must reference in their Action Plan the type, scale, and location of the disaster-related impacts that each program and/or activity is addressing



Documenting LMI Housing in DR

- The total cost of the activity, including both CDBG and non-CDBG funds
- The size, annual income, and FHEO characteristics of households occupying CDBG-assisted and designated LMI units
- A copy of the written agreement indicating the total number of dwelling units and the number of LMI units
- For rental housing only:
 - Rent charged (or to be charged) after assistance for each assisted unit
 - Documentation showing the affordability of units occupied (or to be occupied) by LMI households
 - Pro-rata option



Documenting Job Creation and Retention

- Three ways to meet the LMJ National Objective
 - Job Creation 51% of new jobs held by or made available to LMI persons
 - Job Retention 51% of jobs retained held by LMI
- Measured by Full Time Equivalent (FTE) positions
- Documented by written agreement
 - Job titles
 - For each LMI person, information on the size & annual income for the family or presumed LMI



Determining and Documenting Income

- Applies to direct benefit LMI activities such as housing and jobs
- Annual income is gross amount of income anticipated by all adults in a family during the 12 months following the effective date of the determination
- Three definitions of income:
 - Annual income as defined under Section 8 (24 CFR 5.609);
 - Adjusted gross income as defined for purposes of reporting under IRS Form 1040 (long form) for Federal individual income tax purposes; and
 - Annual income as defined for reporting under the American Community Survey (ACS)

Determining and Documenting Income

To document income-eligibility grantees can also maintain:

- Evidence that the household/person assisted qualified under another program having income qualification criteria at least as restrictive as that used in the definitions of LMI household/person, such as Workforce Investment Act (WIA) and welfare programs; or
- Evidence that the assisted person is homeless; **or**
- Verifiable certification from the assisted person that his/her family income does not exceed the applicable income limit; **or**
- Referral from a state, county or local employment agency or other entity that agrees to refer individuals it determines to be LMI persons based on HUD's criteria and agrees to maintain documentation supporting these determinations.

Documenting Slum/Blight Area

- Boundaries of the area
- Description of conditions demonstrating how the area met qualifying criteria (i.e. the area meets a definition of a slum, blighted, or deteriorated/ing area under state or local law)
- How the assisted activity addressed one or more of the conditions that contributed to the deterioration of the area.
- For each residential rehabilitation activity:
 - Local definition of "substandard" that must be at least as stringent as the Housing Quality Standards (HQS) used in the Section 8 Housing Assistance Payment Program—Existing Housing
 - Pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated
 - Details and scope of CDBG-DR assisted rehab by structure



Documenting Slum/Blight Spot

- A description of the specific condition of blight or physical decay treated; and
- For rehabilitation carried out under this category, a description of the structure, including:
 - The specific conditions detrimental to public health and safety that were identified; and
 - Details and scope of the CDBG-DR assisted rehabilitation, by structure



Records on UGLGs and Subrecipients

- Application/selection documentation
- Written agreement, including scope of services
- Audit reports
- Progress and other required reports
- Draw requests (with source documentation, including invoices, purchase orders, etc.)
- Monitoring reports and correspondence including resolution of issues



Poll #2

- Do you have/or are in the process of adopting a fully electronic record keeping system?
 - Yes
 - No
 - Unsure



Record Retention

- **CDBG Entitlement Communities**
 - Must maintain records for **four years** following end of program year activity funded
- CDBG States, longer if:
 - Records of state and UGLG retained for three years from closeout of HUD's grant with state; OR
 - Keep records relating to State's Con Plan & use of program funds during preceding five years; OR
 - Other specified periods:
 - 24 CFR 570.487, other applicable laws
 - 24 CFR 570.488, displacement, relocation, etc.
- Records related to any open audits, reviews, or investigations should be retained
- Recommended to consult state laws as well 46



Access to Records

- HUD & Comptroller General representatives have the right to access grantee & UGLG program records
 - Electronic records are strongly encouraged but must be owned and operated by the grantee
 - Records should be kept orderly and located in an accessible space
- Requirements regarding public access to records include:
 - Grantees are required to provide citizens with reasonable access to records regarding the past use of CDBG-DR funds, consistent with applicable state and local laws regarding privacy and confidentiality
 - The Consolidated Plan regulations require that states provide citizens, public agencies and other interested parties with reasonable and timely access to information and records relating to the jurisdiction's Consolidated Plan and the use of assistance under the programs covered by the Consolidated Plan

Tips/Tricks for Improving Record Keeping Practices

 How can the documentation and reporting systems be strengthened?

AKA: How to avoid findings/concerns!

- Create a file checklist for each type of activity. Put the checklist in the file and have someone ensure that all required documents are present and final.
- If you have an electronic system create a road map for the system to ensure that moving from screen to screen is userfriendly and that it's 100% clear where to go to find the required documents
- Do your own records monitoring. Have an intern or staff person not familiar with that project walk through a file using the HUD Monitoring Exhibits. Can they answer all the questions using only the information found in the file? Have them check for any
 ⁴⁸ duplicate or incomplete records



Tips/Tricks for Improving Record Keeping Practices

- What types of records and reports could be automated?
 - Utilization of web-based reporting and file storage
 - Live data feeds to FEMA and SBA
 - Standardized digital intake processes across subrecipients
 - Use of DRGR data upload templates to:
 - Collect and insert beneficiary data into QPR
 - Create vouchers
 - Use of DRGR MicroStrategy reports for:
 - Financial analyses
 - Data clean up



Subrecipients and Record Keeping

- Determine records to be kept by the grantee and those to be kept by the subrecipient
- Pass on record keeping requirements in written agreement with subrecipient
- Typical records kept by subrecipient
 - Program documentation (e.g., marketing, applications, tie to storm, beneficiary data, etc.)
 - Income eligibility of beneficiaries
 - Duplication of benefits
 - Financial management compliance
 - Applicable Federal cross-cutting requirements



Website Requirements

- General requirement is to maintain comprehensive website regarding all disaster recovery activities assisted with these funds
 - Vary by Appropriation & described in applicable Federal Register(s)
- Provide citizens easy and quick access to:
 - Available programs and key contacts
 - Plans and reports
 - Upcoming hearings and other citizen engagements
- Also help to achieve compliance with:
 - Citizen Participation requirements
 - Limited English Proficiency (LEP) plan



Website Requirements

- At a minimum, the DR grantee must maintain the following on its website:
 - Published Action Plan and all amendments
 - DRGR Action Plan and QPRs
 - Copies of first level contracts
 - Summary of all contracts and procurement policies
 - Citizen Participation requirements (notices, hearings, accessibility, etc.)
 - Information on programs and contacts



Wrap Up

 Subrecipients & other partners are often critical to being able to carry out recovery programs in a timely manner

Keys to success

- Strategic decisions on which & how many partners to use
- Track record & capacity of partners
- Good record keeping at all levels
- Hands-on & frequent oversight
- Quick resolution of issues
- Thorough record keeping is your friend Paints the picture of what is going on with the program & decreases the chances of findings or other issues



Questions and Resources



Resources

- Webinars in this series:
 - Overview of CDBG-DR Webinar: <u>https://www.hudexchange.info/training-</u> <u>events/courses/2016-overview-of-cdbg-dr-webinar/</u>
 - CDBG-DR Action Plans, Citizen Participation, and Limited English Proficiency Webinar: <u>https://www.hudexchange.info/training-</u> <u>events/courses/2016-cdbg-dr-action-plans-citizen-participation-and-</u> <u>limited-english-proficiency-webinar/</u>
 - CDBG-DR Program Planning, Administration & Activity Delivery Webinar: <u>https://www.hudexchange.info/training-events/courses/2016-cdbg-dr-</u> <u>program-planning-administration--activity-delivery-webinar/</u>
 - CDBG-DR DRGR including QPR Webinar: <u>https://www.hudexchange.info/training-events/courses/2016-drgr-including-qr-webinar/</u>
 - CDBG-DR Duplication of Benefits Webinar: <u>https://www.hudexchange.info/training-events/courses/2016-cdbg-dr-</u> <u>duplication-of-benefits-webinar/</u>



Resources (cont)

- CDBG-DR Website at HUD Exchange: <u>https://www.hudexchange.info/programs/cdbg-dr/</u>
- 24 CFR 570: <u>http://www.ecfr.gov/cgi-bin/text-</u> idx?tpl=/ecfrbrowse/Title24/24cfr570 main 02.tpl
- DR Toolkits: <u>https://www.hudexchange.info/programs/cdbg-</u> <u>dr/toolkits/</u>
- OIG Audits: <u>https://www.hudoig.gov/</u>



Resources (cont)

- DUNS: <u>http://www.dnb.com/duns-number.html</u>
- System for Award Management (SAM): <u>https://www.sam.gov</u>
- FFATA on Federal Subaward Reporting System: <u>https://www.fsrs.gov/</u>
- CPD Notice 15-05: <u>https://www.hudexchange.info/resources/documents/Noti</u> <u>ce-CPD-15-05-Transition-Policy-for-Low-Moderate-Income-</u> <u>Summary-Data.pdf</u>
- HUD CPD Monitoring Handbook: <u>http://portal.hud.gov/hudportal/HUD?src=/program_office</u> <u>s/administration/hudclips/handbooks/cpd/6509.2</u>

Thank you!

