



# **Managing and Monitoring Subrecipients**

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**2020 CDBG-DR and CDBG-MIT Webinar Series**

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# **Managing and Monitoring Subrecipients**

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**2020 CDBG-DR and CDBG-MIT Webinar Series**

# Agenda

- Definition of “subrecipients” and other types of entities funded through CDBG-DR programs
- Process for selecting subrecipients
- Process for assessing the capacity and experience of subrecipients
- Oversight and monitoring responsibilities
- Monitoring preparation and execution
- Typical issues and challenges with subrecipients
- Available resources and tools
- Questions



# Introductions

- Mikayla Catani, HUD
- Kelly Price, ICF
- Kevin Roddy, ICF



# How many subrecipients are currently under agreement with your program?

- A. 1-5
- B. 6-15
- C. 15-25
- D. 25+





# Subrecipient Management

Kelly Price, ICF





# What is a Subrecipient?

- 24 CFR 570.500(c)
  - Public or private nonprofit agency, authority or organization, or a for-profit entity serving Microenterprises (24 CFR 570.201(o)) receiving CDBG-DR funds from the recipient or another subrecipient to undertake CDBG-DR eligible activities
- 2 CFR 200.93 & 200.330(a)
  - A non-Federal entity that receives a subaward to carry out part of a Federal program



# Types of Subrecipients

- **Governmental Agencies** - public agencies, commissions, or authorities that are independent of the grantee's government (i.e., a public housing authority or a park district)
- **Private Non-profits** - usually, but not always, corporations, associations, agencies, or faith-based organizations with non-profit status under the Internal Revenue Code (Section 501(c)(3)), usually with a board of directors and an executive director in charge of daily administration
- **Private For-profits** - for-profit entities that can qualify as subrecipients when facilitating economic development by assisting microenterprises under the provisions of (24 CFR 570.201(o))



# State Grantees and Subrecipients

- A State Grantee may carry out activities in a variety of ways:
  - Directly
  - Method of Distribution
    - Funding units of general local government (UGLGs)
  - By funding subrecipients
  - By funding other State level departments
    - These agencies are not technically subrecipients but may be treated as subrecipients
    - There must be an agreement in place to outline roles, responsibilities, and other applicable requirements (e.g., MOU)
    - The CDBG-DR grantee is the “lead agency” responsible for oversight

Many CDBG-DR grantees implement a combination of these methods.



# Who is not a Subrecipient?

- Contractor
  - Competitively procured and provides a specific scope of services
- Developer
  - Awarded funds for an affordable housing development
  - Can be either a for-profit or 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 and Contractors

	Subrecipient	Contractor
Selection	<ul style="list-style-type: none"> <li>Designated by the grantee via a selection process</li> </ul>	<ul style="list-style-type: none"> <li>Procured (e.g., 2 CFR 200, State procurement, etc.)</li> </ul>
Applicability of requirements	<ul style="list-style-type: none"> <li>Subject to all applicable administrative, financial, and cross-cutting Federal rules and requirements</li> <li>Can only charge actual costs to deliver activity (Activity Delivery Costs (ADCs))</li> </ul>	<ul style="list-style-type: none"> <li>Subject to requirements for the specified scope of work</li> <li>Costs include profit</li> </ul>
Monitoring and performance	<ul style="list-style-type: none"> <li>Must adhere to written agreement outlining responsibilities</li> <li>Recipient monitors all aspects of program</li> </ul>	<ul style="list-style-type: none"> <li>Must deliver services identified in the contract</li> </ul>



# Responsibilities of Subrecipients

- Meet the grantee's specific selection criteria
- Carry out specified program on behalf of grantee
- Comply with all Federal statutes, regulations, and program requirements
- Comply with all terms and conditions of the subrecipient agreement
- Meet all established performance goals

Ultimately, the grantee is responsible for subrecipient compliance and performance.



# Selecting Subrecipients

- Grantees may use any reasonable criteria to select a subrecipient. For example:
  - Request for Qualifications
  - Notice of Funding Availability (NOFA)
  - A qualified non-profit serving a specific geography
  - A local government



# Assessing Capacity of Subrecipients

- Program and grant management history (track record)
- Staffing (capacity)
- Program and activity experience
- Financial management
- Management Information Systems (MIS)
- Contractor procurement and oversight
- Cross cutting requirements compliance





# Subrecipient Agreements

- Include all applicable requirements, roles, & responsibilities (see CDBG regulations 24 CFR 570.503):
  - Statement of work/scope of services
  - Detailed budget, including all sources of funds to project or activity
  - Period of performance
  - Records to be maintained, reports to be submitted
  - Uniform admin/financial & cross-cutting requirements
  - Provisions on suspension/termination, reversion of assets and enforcement



# Subrecipient Agreements (cont.)

- Amend over time, as necessary
- Some grantees have master agreements with the entity and specific agreements per project
- Grantee must monitor against the subrecipient agreement
  - For example, if the grantee is requiring monthly reports from its subrecipients, HUD will ask for those monthly reports when we come to monitor
  - If the grantee hasn't been collecting the reports, then they are not in compliance with their own agreements.



# Subrecipient Oversight

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



# Subrecipient Oversight (cont.)

- Use the results of the subrecipient's assessment to develop any required training and/or technical assistance
- Determine the level of risk associated with subrecipients. For example:
  - Knowledge of program requirements & cross-cutting Federal requirements
  - Size and complexity of the program
  - Financial management indicators (e.g., expenditure rates, findings)
  - Management factors (e.g., staff turnover)
  - Citizen complaints





# Subrecipient Oversight (cont.)

- Based on the level of risk, identify a schedule for monitoring subrecipient activities and share the schedule with the subrecipient
- Establish milestones, and include them in the subrecipient agreement
- Track financial progress monthly by comparing actual expenditures against subrecipient's budget
- Track programmatic progress quarterly by using information provided for the Quarterly Performance Report (QPRs)



# Subrecipient Oversight (cont.)

- If progress is not made:
  - Provide feedback to subrecipient
  - Work together to identify a solution
  - Develop a plan to meet performance requirements
- If performance does not improve according to the plan, follow through on identified corrective action
- Subrecipients are also reviewed by HUD during the grantee's normal monitoring schedule
- HUD encourages grantees to monitor subrecipients at least annually



# Subrecipient Oversight (cont.)

- When a Subrecipient needs to procure:
  - Subrecipients should seek guidance from the HUD grantee on procurement requirements to be followed and the applicability of 2 CFR 200.318 – 2 CFR 200.326
  - Subrecipients (and grantees) **MUST** include an evaluation of the cost or price of a product or service in advance of opening bids in each procurement action
  - Grantees must monitor the procurement actions of their subrecipients as part of their oversight



# Subrecipients – Managing Multiple Disaster Funds

- Grantees may manage multiple disaster appropriations and other funding such as FEMA, etc.
- Standards and requirements can vary from disaster to disaster
  - National Objective L/M percentages (50% vs 70%)
  - Most Impacted & Distressed (MID) areas
  - Eligible costs/activities (reimbursement)
  - Affordability periods for housing units
  - Household income/composition characteristics (assistance priority)
  - Duplication of benefits analysis
  - Green/energy efficiency/other codes and standards





# Grantee Staffing & Capacity Considerations

- Hiring and training qualified staff for subrecipient management is essential
- Key responsibilities:
  - Policies/procedures & tools for subrecipient management and oversight
  - Ongoing technical assistance and training
  - Project management of specific projects subrecipients carrying out (directly or in coordination with others)
  - Monitoring & coordination around audits to resolve issues in a timely fashion
- Develop a staffing plan with an organizational chart, and key roles and responsibilities
- Ensure coordination & communication with larger DR team



# CDBG-MIT Enhancement Requirements

- The Main CDBG-MIT Notice has additional requirements that enhance previous requirements.
- Enhancements related to subrecipient management are:
  - (i) The criteria to be used to evaluate the capacity of potential subrecipients;
  - (i) The frequency with which the grantee will monitor other agencies of the grantee that will administer CDBG– MIT funds, how it will enhance its monitoring of subrecipients, contractors and other program participants, how and why monitoring is to be conducted and which items are to be monitored

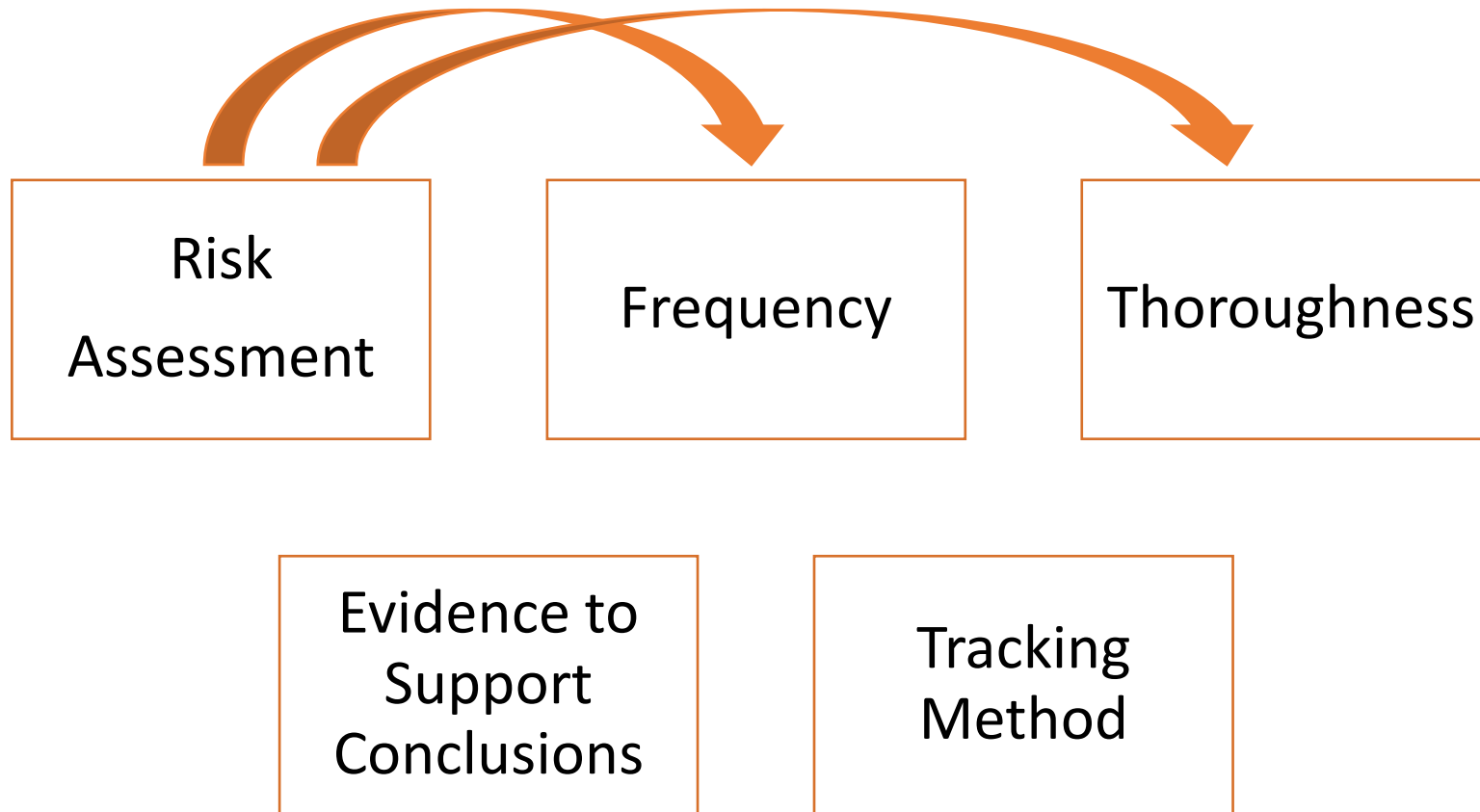


# Monitoring Subrecipients

Kevin Roddy, ICF



# The Five Habits of Highly Effective Subrecipient Monitoring





# Risk Assessment Factors

- Financial Management
- Overall Management
- Satisfaction (Citizen Input)
- Services (Complexity of Programs)





# Rating and Ranking

## 1. Rate each subrecipient/subgrantee

CITY OF ALTO		
Factor	Maximum Score	Points Assigned
1. Financial	47	16
2. Management	34	15
3. Satisfaction	4	2
4. Services	15	6
TOTAL	100	39



# Rating and Ranking

## 2. Rank subrecipients by risk level

Grantee	Total Score	Rank
Alto	39	3
Wells	67	1
Lufkin	55	2

## 3. Use ranking to develop monitoring schedule

- HUD encourages a grantee to monitor subrecipients no-less than annually, based on the risk identified.



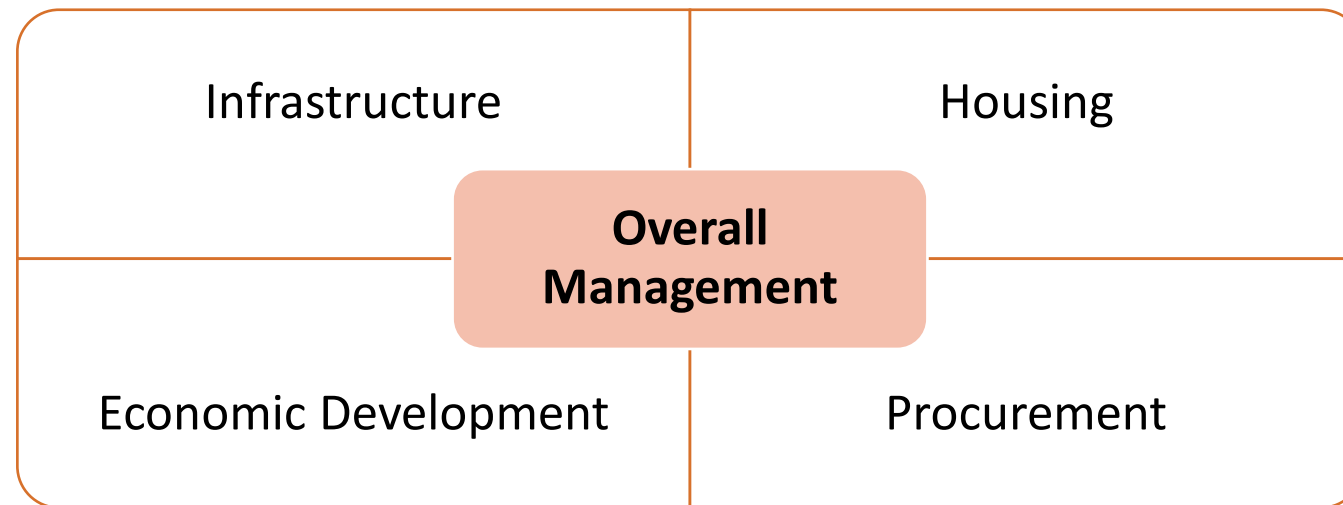
# Essential Items that Must be Monitored

- Eligibility of activities and beneficiaries
- National Objectives
- Tie-back to the qualified disaster
- Financial management/procurement
- Cross-cutting Federal requirements (i.e. labor, URA, environmental)
- Prevention of duplication of benefits from FEMA, SBA, insurance, and other sources
- Program policies and procedures (i.e. internal controls and separation of duties)
- Reporting and recordkeeping
- Any additional requirements a grantee places in its own Subrecipient Agreements



# CPD Monitoring Handbook

- Contains sample exhibits used by HUD for monitoring CDBG-DR grantees
- Grantees should review the Handbook to understand what HUD reviews during monitoring visits
- CDBG-DR: Chapter 6 Exhibits



# Monitoring Exhibits

a. Is the national objective adequately documented in the files: [24 CFR 570.506, 570.490, or applicable <i>Federal Register</i> notice]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b> <input type="text"/>			
b. For single family properties:			
i. If benefiting a low-to-moderate income (LMI) household, does the file document that the household is at or below 80 percent of Area Median Income?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b> <input type="text"/>			
ii. If using the Slum/Blight national objective on an Area basis, does the file demonstrate that the area meets the definition of a slum, blighted, deteriorated or deteriorating area under state or local law?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b> <input type="text"/>			
iii. If using the Slum/Blight national objective on a Spot basis, is the rehabilitation <i>limited</i> to those conditions that are detrimental to public health and safety?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b> <input type="text"/>			
iv. For an activity classified as Urgent Need, was the need demonstrated (via publication in the program participant's Action Plan) within 18	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A

[https://www.hud.gov/program\\_offices/administration/hudclips/handbooks/cpd/6509.2](https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2)





# Get organized

- **Create Checklists:** Assists to document whether required documents are present and are organized
- **Review Agreements:** Understand schedule, budget, and objectives
- **Check record systems:** Hard copy files or computer system  
**Monitoring approach:** Based upon risk – conduct either an on-site or desk review
- **Prepare in advance:** Identify relevant HUD Monitoring Exhibits based upon what will be reviewed



# Findings and Concerns

- Grantee monitoring reviews may result in Findings or Concerns
- A **finding** is a deficiency in program performance based on a statutory, regulatory, or program requirement for which sanctions or other corrective actions are authorized
- A **concern** is a deficiency in program performance not based on a statutory, regulatory or other program requirement
  - Grantee issues a concern about program design or operations when the practice could, if not corrected, may result in noncompliance with a statutory, regulatory or program requirement



# Common Findings: Record keeping

- 24 CFR 570.490
  - “State shall establish and maintain such records as may be necessary to facilitate review and audit by HUD...”
- Lack of record keeping may signify deeper deficiencies



# Common Findings: Duplication of Benefits

- Section 312 of the Stafford Act (42 U.S.C. 5155)
- Questions HUD will ask:
  - Did you do it?
  - Did you do it right?
- Commonly leads to Repayment
- Applies to all assistance (housing, infrastructure, and economic development)



# Common Findings: National Objective

- 24 CFR 570.483
- Most commonly cited for wrongly calculating Low/Moderate Income (LMI) Area Benefit service areas
- Not as common in CDBG-DR programs because grantees can utilize the low-documentation urgent need national objective in accordance with *Federal Register* notice





# Common Findings: Financial Management

- 24 CFR 570.489(d), Fiscal Controls and Accounting Procedures
- 2 CFR 200
- Monitored as part of HUD Financial Management and Overall Management
- HUD will:
  - Check Financial Management 07B Reports
  - Interview Staff
  - Review source documentation that establishes “basis of cost”



# Common Findings: Procurement

- 24 CFR 570.489(g)—vendors
- 24 CFR 570.489(h)—conflict of interest
- Sole Source/ Non-competitive Procurement/Plus Up of Existing Contracts
- 2 CFR 200.323—Cost or Price Analysis in advance of issuing bid
- Lack of HUD-required provisions (e.g., Section 3; Minority and Women's Enterprise opportunities)
- Benchmarks
  - Performance requirements
  - "Penalties" or liquidated damages – applies to ALL contracts (including those for administrative services)
- Overuse of change orders or adding work to existing contracts



# Common Findings: Environmental Compliance

- 24 CFR Part 58
- Incorrect environmental assessment undertaken (e.g., wrong level of review)
- Not recognizing “Choice Limiting Actions” and/or expenditures prior to “Authorization to Use Grant Funds” (AUGF)
- Not fully completing or documenting checklists including. Tier 2 reviews
- Not following up on “mitigating actions” (e.g., measures during construction, elevation of structures, etc.)



# Common Concerns: Policies & Procedures

- Grantee oversight may include:
  - Reviewing a subrecipient's policies and procedures, and will often issue a Concern if policies and procedures are insufficiently detailed or do not align with program design
  - Ensuring that subrecipients are, in fact, following policies/procedures – often subrecipients have them but aren't adhering to them when implementing various functions



# Training and TA

Kelly Price, ICF





# What kind of training & TA activities have you implemented to assist your subrecipients?

- A. In-person or virtual training deliveries
- B. Resource guides/handbooks
- C. Direct TA (in person, phone/virtual)
- D. Combination of methods
- E. No TA or training has been developed for our subrecipients at this time





# The Importance of Technical Assistance & Training

- A subrecipient's success is directly connected to the strength of the grantee's subrecipient management & oversight system
- A grantee's goal is to address issues before they happen & continually adjust & respond over time
- Techniques include:
  - Provide intensive TA/training at start up
  - Provide or at least review/sign off on critical management items:
    - Policies/procedures especially. procurement, intake, cross cutting
    - Legal docs & other agreements
    - Critical tools (e.g., checklists) used by the subrecipient
  - Dictate use of grantee provided items such as boilerplate language, report templates, payment request forms, etc.



# Training & TA (cont.)

- Suggested techniques:
  - Provide ongoing & targeted TA throughout the direction of the program/project execution
    - Critical phases including procurement, intake, DoB, cross cutting compliance, & construction
  - Adjust policies & procedures, tools, etc. over time as necessary and provide accompanying training/TA on those changes
  - Provide access to resources (share files & info electronically)
  - Communicate frequently
  - Share in failures and successes



# Q&A





# Resources



# Resources

- HUD Exchange CDBG-DR page:
  - <https://www.hudexchange.info/programs/cdbg-dr/>
- HUD Exchange CDBG-MIT page:
  - <https://www.hudexchange.info/programs/cdbg-mit/>
- 24 CFR 570:
  - [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570_main_02.tpl)
- HUD CPD Monitoring Handbook:
  - [https://www.hud.gov/program\\_offices/administration/hudclips/handbooks/cpd/6509.2](https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2)
- DR Toolkits:
  - <https://www.hudexchange.info/programs/cdbg-dr/toolkits/>



# Resources

- OIG Integrity Bulletin Summer 2016:
  - <https://www.hudexchange.info/resources/documents/HUD-Integrity-Bulletin-Subrecipient-Oversight-Monitoring.pdf>
- A Guidebook for Grantees on Subrecipient Oversight:
  - [https://portal.hud.gov/hudportal/documents/huddoc?id=DOC\\_17086.pdf](https://portal.hud.gov/hudportal/documents/huddoc?id=DOC_17086.pdf)
- 2016 CDBG-DR: Subrecipient Management and Record Keeping Webinar
  - <https://www.hudexchange.info/trainings/courses/2016-cdbg-dr-subrecipient-management-and-recordkeeping-webinar/>
- Buying Right CDBG-DR and Procurement: A Guide to Recovery
  - <https://www.hudexchange.info/resource/5614/buying-right-cdbg-dr-and-procurement-a-guide-to-recovery/>





# Upcoming Trainings

<b>Sustainable and Resilient Communities Through Solid Waste Investments and Best Practices After a Disaster</b>	Sept. 10, 2020 2:00 - 3:30 PM EDT
<b>DRGR Workshop for Disaster Recovery</b>	Sept. 15, 2020 2:00 - 3:30 PM EDT
<b>Developing Your Infrastructure Projects – from Procurement to Closeout</b>	Sept. 17, 2020 2:00 - 3:30 PM EDT
<b>Duplication of Benefits: Understanding and Applying the Requirements</b>	Sept. 22, 2020 2:00 - 3:30 PM EDT
<b>Effective Regional Coordination and Engagement Approaches</b>	Sept. 24, 2020 2:00 - 3:30 PM EDT





# Thank you!

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- Questions
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  - Kelly Price, [kelly.price@icf.com](mailto:kelly.price@icf.com)
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