Managing and Monitoring Subrecipients, CDBG-DR & CDBG-MIT series, 9/3/20

Mikayla Catani: -- to today's presentation. Thank you for joining us. Today is our third webinar in our CDBG-DR and CDBG-Mitigation summer series. For those of you who are just joining us for the first time, the purpose of these webinars are really to provide those educational tools, information, and resources to all of our grantees so that you guys can successfully and compliantly implement your recovery program.

Today's webinar is all about subrecipients. Our speakers will cover in-depth information on who qualifies as a subrecipient, how to select subrecipients based on a variety of different factors such as experience, expertise, and capacity.

We will also cover effective overall subrecipient management, which includes broader items like their general oversight and monitoring responsibilities as a grantee and a subrecipient and some common challenges and solutions. We will save time at the end for questions, and we've also included everyone's contact information at the end of the slides so that you can follow up if necessary.

Again, my name is Mikayla Catani, and I am a CPD specialist at HUD up here in headquarters, and I work in the Disaster Recovery and Special Issues Division under the Policy [inaudible].

Presenting with us today on this webinar from ICF is Kelly Price and Kevin Roddy. Kelly has almost 30 years of experience in cleaning and implementing affordable housing and community development programs. She manages all of ICF's Office of Block Grant Assistance training and technical assistance, as well as working with technical assistance and training for other offices within HUD and various state and local government clients. She's worked on disaster recovery projects since the late '90s and is currently leading a team providing technical assistance to the U.S. Virgin Islands among supporting various disaster recovery and mitigation activities at ICF.

Kevin Roddy is also joining us today as a presenter, and he has over 30 years of professional experience in program management, contract administration, strategic planning, real estate, housing and community development programs. He has worked in the public sector for 18 years prior to joining the ICF team. He has hands-on experience in planning, development, and implementation and evaluation of housing and community development activities at both the state and local level.

He's been active in technical assistance training and implementation programs for CDBG-DR in response to Hurricanes Katrina, Sandy, and Harvey. In addition to over ten years of work under the CDBG-DR program, he also provides technical assistance to states and various localities on CDBG, HOME, and the NSP programs as well as planning, program design, grant administration, financial management, and other cross-cutting federal and compliance requirements.

To kick off the webinar, let's start with a polling question for our audience. So our first question is, how many subrecipients are you currently -- are currently under agreement with your program?

You guys should have the question pop up on your screen where you should be able to select your answer, and we'll give just a few minutes for everyone to submit an answer before we close the poll.

Okay. We'll give it a few more minutes -- seconds.

Okay. I'm not seeing the polling results. Can you guys help me out here?

Kelly Price: Yeah. This is Kelly. I can jump in there, Mikayla, if that's helpful.

Mikayla Catani: Thanks. Yeah. No. It just popped up. I'm sorry.

Kelly Price: Okay. Go ahead.

Mikayla Catani: So looks like a majority of our replies are showing that everyone is managing more than 25 subrecipients. We have about an even split between the first three options from 1 to 25. So it looks like the vast majority of our participants are managing over 25 subrecipient agreements.

And now, we will switch on over, and I will hand this presentation off to Kelly. And she will dive into all of the details about subrecipient management that we have for you guys today. Thanks, Kelly.

Kelly Price: Thank you, Mikayla. Good afternoon, everyone, or good morning if you're joining us from west coast or further out.

Again, we're here today to talk about subrecipients and subrecipient selection, management, oversight, and all things related to subrecipients. That poll was interesting in that there are a number of grantees or various parties involved with grantees that are managing large numbers of subrecipients, which perhaps is indicative of some of our larger grantees, more experienced grantees.

We'll cover a lot of basics here, but hopefully we'll also sprinkle in some information and some tips that are helpful to those of you who have some experience with this.

I will say that as Chantel described the Q&A function over on the bottom right side of your screen, for those of you who are more experienced and have any techniques that have worked really well to handle your subrecipient selection and oversight and the issues as they arise, we certainly welcome those as well to share those with others. Don't think of the Q&A box solely as for questions but also if you have some things that we can share with the group to make that more widely known, I'm sure we all would appreciate it.

So let's get started here. We're going to start again at the beginning, the basics of what is a subrecipient.

Subrecipient is actually defined specifically in the CDBG regulations, and of course the CDBG regulations are your foundation for CDBG-DR or DR Federal Register notice or notices that are specific to your grant allocation and your disaster. We'll have additional waivers and flexibilities and requirements in thee, but the definition of subrecipient can be found in the foundational regulations to the CDBG program at 24 CFR 570.500(c) to be specific, if you want to go find that.

And I like to think about this as -- the term "sub" is -- has many meanings, but one of them, if you sort of go back to the Latin origin of "sub," it means "under" or "below." And that is exactly what a subrecipient is. It is an entity, generally a private or public nonprofit agency, authority, or organization that is working under a grantee to carry out a program or project.

So again, think of the word "sub" means "under." Therefore, if you were to draw a hierarchy, it would be grantee with a subrecipient under that grantee, helping to carry out a specific program on that grantee's behalf.

There are some -- as always with CDBG and other programs, there are some unique elements that can be a little bit different. I'll talk about microenterprise provision in just a minute. That is a specific eligible activity for small businesses that actually does allow a for-profit entity to be involved, but generally when we're talking about subrecipients, we're talking about nonprofit organizations, agencies, authorities, and whatnot that are helping to carry out a CDBG-DR eligible project or activity.

Subrecipients are also defined and spoken to in what's known as the common rule. The Common Rule is 2 CFR 200. That's the place where you will find sort of your uniform administrative requirements, and those range from everything from procurements to audits and whatnot. And in 2 CFR 200 in two separate places, 93 and 330, they also reference subawards, subgrants, and there's some specific provisions that are called out for those types of entities.

So a couple places where subrecipients are, in fact, defined. Folks still ask us, though, for further detail around that. So let's break that down a little bit more in terms of the different types. So that's a general definition, typically, a nonprofit entity, agency, authority carrying out a program on a grantee's behalf.

So folks then say, well, we've got different governmental entities or agencies, be that Housing Authority, for example, Redevelopment Commission, public agencies that perhaps do economic development or things like that. Those would all be government agencies that could be a subrecipient if they meet that definition. So we're talking about government entities.

We'll talk in a minute -- in a couple slides we're going to speak to state-specific issues regarding state-level government agencies. But for now, just sort of know that government agencies typically are subrecipients in general.

Again, private nonprofits. So we're talking about the nonprofit organizations that you know in your community. Many of you may serve on boards or what have you of nonprofit agencies whose day-to-day service is back to the community or the region or the country, if you will, around charitable purposes.

And to qualify as a nonprofit, they have to qualify under certain Internal Revenue Code IRS sections and file certain information both with the IRS and often with the state that you live in as well. And so that nonprofit status is governed vis-à-vis the tax requirements as well as some additional Secretary of State type requirements, and those nonprofits, again, typically have a charitable purpose and have a mission statement, articles of incorporation, whatnot, a board of directors, and staff who carry out their functions.

So that's the most traditional type of subrecipient that you typically see in these programs. Again, government agencies of different types also participating in the program.

Private for-profit. For-profit entities are typically not a subrecipient. There's one exception, again, called out in the regular CDBG regulations at 570.201(o) and also in the CDBG statute that was added sometime back to allow for activities around microenterprises.

Microenterprises are small business activities that would encompass a small business of five or fewer employees, including the owner or owners. And under that provision of eligibility, a microbusiness can receive financing, capital, support services, technical assistance vis-à-vis a nonprofit or a for-profit entity. That is exclusive to the microenterprise provision at 24 CFR 570.201.

So you will not see that too much in our DR programs. I assume it could come up from time to time, but just want to clarify that.

So let's go into a little bit more detail here for states. You guys who are states always have a little bit special topics we need to discuss, and one of those pertains to subrecipients.

So when we talked earlier about a subrecipient being an entity that is underneath the grantee, nonprofit or public entity carrying out activities on a grantee's behalf, we said, well, states have a little bit different layer here that we need to pull apart a little bit more.

So when we did the webinar not too long ago on launch, for those of you that participated in that webinar or if you'd like to go to the HUD Exchange to download those materials or listen to that webinar, one of the things we spent a good bit of time talking about in the launch webinar was how to think about allocating your funds and distributing those funds and which entities you choose to work with.

And so we're just sort of summarizing that here, but just as a reminder for those who may be newer to this and who are working with states, states can distribute or retain their funding directly and carry out activities directly. So the state is running its own programs, staffing those up, perhaps contracting functions out, but it is directly administering the programs that are funded by CDBG-DR.

The other option is method of distribution. Some states choose to allocate funds based on perhaps some sort of formula allocation or other method that is described and shared publicly to their units of general local government. That's not too dissimilar from the regular state CDBG program, but in a disaster context you want to think through exactly how that methodology works and which local governments would receive those funds.

You can also fund subrecipients, as we talked about earlier. So we'll come back to that one in just a minute.

So directly administering programs, method of distribution to local governments, fund some subrecipients, or fund other state-level departments or agencies. Whatever you call them in your particular state or territory, you can also fund state-level agencies or departments.

Now, because a state -- the state is the grantee, but the grantee is essentially the particular agency that is administering the CDBG program and has responsibility for the grant. So if its having different state agencies, let's say a state Department of Commerce actually is the administrator of the CDBG and CDBG-DR program -- that's a common model across the country -- and they want to have a program run out of their Department of Homeland Security, maybe a program that's carried out by the Department of Environmental or Public Service or whatever it may be. Those are state-level agencies.

They don't necessarily have to be treated as subrecipients. However, there needs to be some sort of agreement in place, an MOU, an MOA, or something between the parties outlining their roles and responsibilities and all of the applicable requirements that would apply. The state's lead agency, the grantee, the one that we've mentioned earlier in the case I mentioned earlier, the Department of Commerce, is still ultimately responsible for all of the oversight, compliance, and et cetera that comes with that CDBG-DR grant. But it can work with other state-level agencies.

They do not have to fully be treated as subrecipients, but there needs to be an agreement in place. And Kevin will talk a little bit later also about, on the front end, assessing the capacity of that entity or that authority or agency to ensure that they actually can carry out the programs that are being passed to them.

So for states, you guys have, again, different options to allocate your funds, and in some cases there can be some variation between whether or not those entities are treated as full subrecipients or not. Just as an aside, with all of the requirements and accountability and whatnot, being stricter and placing full agreements in place with all of the requirements would be something we would recommend. But we understand that it will vary state to state, depending on the situation.

And of course you can do a combination of these methods. And, again, we talked about that on the launch webinar as well. Not one size fits all. Sometimes there will be some state-level programs that are run directly by the state agency, the lead agency, and it might also have some subrecipients. And it might have a couple of local governments that it's allocated funds to. It might have one state agency that is carrying out a specific program like a housing -- rental housing finance agency.

So that is okay. Just be sure you sort of understand those variations and those different roles and that the agreements, memorandums of agreement, subrecipient agreements, whatever they may be, clearly outline what role they're playing, what requirements apply, and all of the other details that we'll go over in just a minute.

So we talked about who is a subrecipient. Let's talk about who's not a subrecipient and just to clear up any confusion. It does make a difference to understand the terminology and how one is treated because it will then dictate what requirements apply to that entity and to the grantee in terms of its expected oversight of that entity. So let's draw the distinction between a subrecipient and a contractor or a vendor.

So a subrecipient, again, nonprofit or public agency that's carrying out a program on behalf of the lead agency grantee of CDBG-DR funds.

Contractor is competitively procured following 2 CFR 200 or state procurement, whichever may be applicable if you're a state, and they are selected vis-à-vis a competitive process. There's a contract put in place. That contract has certain requirements in terms of how its priced and costed and the responsibilities of that entity and a very specific scope of work with sort of terms and conditions and whatnot that apply to that work.

So contractors, vendors, those are for-profit entities, competitively procured following your procurement procedures, carrying out a very specific scope of services that are outlined in a contract.

Developers. This one is specific really to affordable housing, and the reason why sometimes there's confusion here is because developers can be a for-profit entity. There's plenty of those. There also are a lot of nonprofit housing developers who develop primarily affordable housing or housing for certain subsets of the population.

So that's why sometimes it can be a little confusing, but if the entity is receiving funds under, say, a rental housing finance NOFA or a layered financing rental housing deal, that entity is a developer. They're carrying out that specific project in the role of a developer. They are not under the grantee carrying out a program on the grantee's behalf.

So there's some great guidance on this that was really formulated and articulated in BEST during the neighborhood stabilization program that you can turn to. But housing development is a little bit different animal, and you could have a recipient involved who's carrying out a full rental program and putting out the NOFA and overseeing and doing compliance and selecting developers. And then you could have developers under that that are developing the individual projects on a site. And then you can have of course contractors who may be carrying out the construction, for example, or the demolition or something like that, very specific scope of services that a for-profit entity is doing.

For those of you who carry out, for example, economic development activities, kind of similar train of thought but just to call this out specifically, when businesses receive a loan or a grant

under, say, an economic development program, maybe business capital loan program, maybe a program to provide for purchase of equipment or to build or retrofit or repair their business so they can continue operations, those businesses are considered a beneficiary.

They're a recipient receiving funds under a program that either the grantee or perhaps even a subrecipient is running that program and they're an applicant and then a recipient if they're approved to carry out the program.

So that's the only time you'll sort of see the business relationship in here other than the microenterprise exception that we also mentioned where sometimes there are for-profit entities allowed to provide assistance to microenterprises.

But, generally, again, we're still talking about subrecipients being nonprofit, public or private nonprofit carrying out a program on behalf of a grantee. And then you have these other parties playing other roles that may or may not come into play, depending on your program and project type.

This table comes from some of the materials that we have on the HUD Exchange, and we think it's helpful just to kind of reiterate the points I just talked about, which is the key thing, again, that we emphasize when we talk to folks about the difference between a subrecipient and a contractor is the procurement process. How was the selection handled? The other distinction would be, of course, if an entity is a for-profit, nine times out of ten, given the minor exceptions we talked about earlier, they would have to be procured.

So procurement means 2 CFR 200 or a state equivalent procurement code and standard that involves a competitive process with an award decision, a contract, et cetera.

Subrecipients can be selected and designated and enter into an agreement in a process that's a little less scripted, if you will, and we'll talk about that in just a minute.

One other really important distinction that we try to help grantees to understand in defining these roles and figuring out which party is doing what is because subrecipients, given that they're sub to a grantee, so they're under the grantee administering, undertaking a program on the grantee's behalf, that means they're subject to each and every and all of the same requirements that the grantee is subject to.

So all of the CDBG, CDBG-DR administrative, financial, cross-cutting, procurement, audit, all of those requirements apply to a subrecipient. And their systems, their processes, their audits, as we said earlier, those things all have to comply with those requirements.

That said, as a subrecipient undertaking a program on behalf of a grantee, they can charge some of their costs to run that program as an activity delivery cost. And that's unique to the subrecipient relationship. That is not something we do in a contractor relationship.

Contractors will bid or propose on a scope of work that's been put into a competitive procurement, and they will price or cost out that work based on what has been asked in that

scope. And that costing is used to analyze the selection and award of the winning contractor or vendor.

So their costs are structured in a way that adheres to the procurement that was put out, and there's additional information that we've had in prior webinars about what types of contracts are allowed, T&M, fixed price, how you verify those costs and so forth. But contractors are contract. So the two terms go together for sure, and that's the big distinction.

Now, some of the requirements over in the column under subrecipient may also apply to the contractor as they would apply to the work they're doing. And by that I mean not all of the 2 CFR 200 stuff immediately applies to that whole firm, that whole company that bid on that work, but there are elements of 2 CFR 200 that you are going to put into your contract to make sure that they are, for example, providing sufficient documentation in their payment draws, that they are reporting on a timely basis in accordance with your contract.

So there are selected elements of the various requirements that you will transfer and include in your contract to ensure that that contract is being carried out specifically, but they don't have this big blanket or umbrella requirement to adhere to everything under the sun from CDBG, CDBG-DR, 2 CFR 200, and many, many other requirements. Contractor is very narrow specific to the work that they're completing on your behalf.

Because all those requirements apply to subrecipients, there obviously needs to be a monitoring and oversight process in place, and we'll talk a lot more about that as we go through the rest of this webinar. So I won't go too much further into that.

If you look over on the contractor column of the slide that you see here, obviously, for contractors, in terms of performance, what we're looking for is are they doing or delivering the scope of work, the services, the products, whatever it may be that you've purchased? Are they delivering in a sufficient manner satisfactory to your requirements what they promised in the contract?

So if that's building something, is it being built on time? Are the costs where they were supposed to be? Is it being built to your standards and your requirements and whatnot that apply and that sort of thing? So you're looking in the contractor role, in terms of monitoring and oversight, to ensure compliance with the contract that was put in place.

Subrecipients you're also looking for compliance versus their written agreement, but you've got a lot of other things to look at like audits and whatnot because all of the other requirements apply.

So let's see. So I think -- let's see, Kevin. One more, and I'll segue to you.

So some of the responsibilities of subrecipients, I mentioned sort of this big blanket or umbrella a minute ago on that other slide. We're just summarizing a few here and kind of setting these up for further conversation.

Kevin's going to talk more about how to select subrecipients, what kind of things you're going to be looking for. But it is the responsibility, of course, of the subrecipient to get selected to be able to meet the criteria that you put forward. And, again, he'll talk more about that, but understanding the capacity and the track record and the performance and the ability of that subrecipient to perform is part of what you would look for to select that subrecipient and ensure that they are in fact a good match to work for you under your program.

They'll carry out your -- the specific program. Common -- probably one of the most common that we see is housing, housing rehab, reconstruction type programs where subrecipients assist with that, as well as services and some economic development and those type of programs.

Again, they have to comply with all of the statutes, regulations, program requirements, the common rule, cross-cutting requirements like Davis-Bacon, URA, environmental, fair housing. All of those sorts of things would apply to subrecipients.

Of course, you'll monitor them against the terms and conditions of their agreement. Already talked about that, and we'll give you more details in just a minute. And you want them to meet all their established performance goals or metrics or whatever method you use to sort of measure their performance and their success.

Parting thoughts for my part here before I hand it off to Kevin is, again, subrecipient is under the grantee, under the lead agency. And so, ultimately, the grantee is responsible for their compliance and their performance. And so we'll talk more about how you actually dig deeper into how you select these so you can ensure that you're off on a good foot with that and also to monitor these issues as they arise.

With that, Kevin, I think I'll hand it over to you. There you go.

Kevin Roddy: Okay. Thank you, Kelly. And good afternoon, everyone. Picking up where Kelly left off in terms of subrecipients and the method and the approach in which you use to select them, a grantee can establish any reasonable criteria that they either have used in the past or feel is appropriate for the identification of the activity, the project, and the amount of funds, as well as what type of entity would be best suited to carry out and complete the program.

So we are looking at examples here for a request for qualification, an RFQ. Tell us your background, your experience. At the same time, it can be much more formal and structured. Traditionally seen in the form of a Notice of Funding Availability or a NOFA, and that's typically what you see in many instances at the federal level.

In areas that are more urban -- excuse me -- suburban or rural, you may also be limited in identifying appropriate entities that can help carry this out. So it could very well be that you're identifying potential recipients or subrecipients on a geographic basis, specifically if it's an area that may be otherwise traditionally underserved.

So a lot of instances you see that community action agencies will play a role in service provisions, especially to impacted households in predominantly rural and non-urban areas.

And, finally, a local government. So the method and the approach that you use is entirely up to the discretion of the grantee. The key, though, is is that the criteria that's selected and what I would say sort of the pool of entities who could potentially compete, should dictate the level and detail of a Notification of Funding Availability that goes out.

When we talk about assessing capacity, which is actually more important, is assessing the capacity of subrecipients themselves, there's a number of what I would say are time-proven or time-tested methods for identifying appropriate entities or organizations to partner with and work with to achieve your disaster recovery goals and objectives.

One of the things you need to look at for a subrecipient specifically is their track record, their history of management of grants and how they've run programs. Typically, the single best resource for this would be what's known as their single audit. Traditionally, this was identified as the audit prepared in accordance with the standards established under of the OMB circular A-133 subsequent to the update under 2 CFR part 200.

These requirements are now found in subpart F for single audit. So if you are seeking to identify a subrecipient, one good tool would be to look at past performance as stated and identified in audit statements that may be out there.

When we talk about staffing and we look at what is the existing staff capacity, what is the activity or the program to be undertaken, is there sufficient experience not only with the proposed program itself but overall in terms of the organization as it relates to their ability to execute and carry out programs and projects?

And that's something, again, you may be able to find some insight with either looking toward other entities that funded them maybe within the state government itself or if you're working through units of local government and you're trying to identify community-based nonprofits, looking to see have they traditionally received funding under perhaps formula and title programs such as the essential services grant or the CDBG programs in the past.

Financial management and management information systems. Under the financial management arena, we need to make sure that when we are providing federal dollars to a subrecipient, that they have sufficient structure and -- in place or infrastructure -- excuse me -- in place to be able to handle those funds.

When we talk about looking at the MIS or the management information system or the data system, most units of government, not necessarily all nonprofit organizations but most units of local government at some level have an IMS or management information system. Typically, in disaster recovery in the more recent years, we've seen a -- management information systems that have been developed and implemented specifically for the disaster recovery space.

And so it's important to understand that how does that new system or the system to be used by the program itself integrate into the existing financial management systems and management information systems of a subrecipient, specifically units of local government?

When we talk about assessing capacity, has this organization actually engaged and procured contractors, whether it's for execution of a program such as individual beneficiary relief or homeowners in a rehabilitation or reconstruction environment. Or if it's for undertaking large capital projects such as construction of infrastructure, we need to see and identify, do they have sufficient tools in place related to that?

And then finally, the last, which is -- and you'll hear this term repeatedly -- is the cross-cutting requirements for compliance, and Kelly touched on a couple of those. We need to see not only has this organization or this potential subrecipient worked in projects or programs that have used or utilized those standards?

It's also important to understand that they have, when you look at capacity specifically for capital projects, for construction management, for contractor oversight, these are the areas that people need to look at when we talk about assessing capacity of subrecipients.

When we talk about and move to the agreements itself, the subrecipient agreement, it is imperative that these agreements be as specific to the activity or the project at hand as practical. It is not going to be a good practice to use boilerplate that does not address the specific responsibilities, roles, and requirements applicable to the program or the activity. The details and the information in an agreement to carry out a service program is going to be vastly different and distinct from a grant or an award to an organization to undertake a capital project.

When we look at these elements listed here on this slide, you see some general detail, the information related to such as the scope of work or the scope of services, it is imperative that that be detailed sufficiently so that the individual who is reviewing that agreement can clearly identify what is it they were supposed to do and what is it that they're being reimbursed for.

The same holds true for the budget. Not only does it include what the disaster recovery or the mitigation funding will pay for. It should also identify all sources of funds, who will pay for what line item in a budget, and ultimately, the total cost of an activity or a project undertaking.

We look at periods of performance. It's important that there be sufficient milestones built into an agreement that can show or demonstrate or document that specific progress must be made at certain milestones in a calendar period, whether it's a one-year term or more than one-year term. That holds both the grantee, as well as the subrecipient, accountable for showing some period or some requisite movement forward in completion of the tasks.

When we talk about records, this is a very key element because, if it's not documented, it is assumed to not have occurred. So when we talk about records, one of the things that is important to establish is not only the records to be maintained but the reports that must correspond with performance milestones related to schedule and budget so that a oversight staff person or a monitoring staff can be able to look at this to determine whether the project is timely, whether it is on track to meet its accomplishments, and whether it is consistent with the overall objectives of the recovery activity itself.

When we talk about uniform administrative, financial, and cross-cutting requirements, when we're into an agreement, we need to make sure that we're not simply by reference saying, you must comply with all standards, for example, established under 2 CFR part 200, and leave it up to the subrecipient to make that determination.

These uniform administrative, financial, and cross-cutting requirements should be specifically articulated and be consistent with the activity or project. It is not uncommon -- and I've seen this in many instances in my professional career, for example, where a subrecipient will be engaged to undertake a service activity and within the agreement itself there is a standard clause that says they are subject to all standards under Davis-Bacon. But they will not be, for example, under labor standards. There will not be intake -- undertaking any kind of a capital project.

So it sometimes raises a question of, did the person who drafted the agreement fully understand and comprehend what was being undertaken?

And then finally, one of the more salient and important provisions that must be included is a suspension and termination clause, as well as a reversion of assets and the techniques and methods or enforcement of same. It is very clear that lacking sufficient written provisions for either suspension or termination of an agreement is going to be a problem if the project falls by the wayside or does not move forward in a timely manner. Grantees must be able to point to contract or agreement provisions in lieu of simply referring it to their legal staff or assistants.

When we move on, this is our other elements within subrecipient agreements. These are going to change. If conditions change, if scheduling changes, if funding is increased or decreased, those amendments must be included in a timely manner so that if there's changes, that they are corresponding, for example, with performance reporting. as well as with billing or request for reimbursement for invoicing.

When we talk about having master agreements -- and Kelly can weigh in on this a little bit more from her experience with some of the more recent larger grantees that have been brought into the award cycles, that we have some master agreements. For example, a state might enter into a master agreement with other state agencies, and then, in turn, as specific projects are identified and funded, have sub-agreements that are direct and specific to that project, specifically for infrastructure and large capital projects that can span a number of years.

And finally, the main thing -- and I want to reemphasize this very stringently -- is that, as a grantee, you need to know what the provisions of your agreements with each subrecipient state. If you do not understand it, you need to be able to go back and make sure that you understand exactly what all the provisions and clauses within the agreements contain and if there are actions or there are corrective tools in that agreement, you must be in a position. If there's written notifications that are to be provided within a certain timeframe, that you follow this. Okay.

So in your agreements, if it indicates that as a grantee you have specific responsibilities, then you need to make sure that you're adhering to your end of the agreement as well as your subrecipient. So for example, if there's performance reports, whether they're monthly or quarterly, that need to be turned in, if they are not being followed up on and collected in the manner in which the

agreement states, that becomes an issue for the grantee, not necessarily the subrecipient, because the grantee may not have forcefully executed the terms and conditions of the funding provided.

When we talk about subrecipient oversight itself, what we're really looking at here is understanding that each subrecipient -- each grantee -- excuse me -- needs to have appropriate mechanisms in place to track progress and monitor performance. So when we talk about staffing and specifically oversight responsibility, we need to make sure that we have specific staff that have background and experience with administrative management and operations, with financial, management and financial standards, as well as programmatic and technical.

So you're going to find, as Kelly mentioned earlier in our discussions, that there are a number of other cross-cutting federal standards that will apply. These include environmental. They may also include provisions for the Uniform Relocation Act. They may also include provisions, for example, for construction management and labor compliance.

In those instances, the staff who are doing the oversight or undertaking the monitoring and the oversight should have some degree of background to understand that. All right?

The other thing that's important for a subrecipient is to have up-to-date policies, procedures, and appropriate tools. And tools include management information systems, both hardware and software that allow your compliance and monitoring and oversight staff to be able to do the job. That may also require that there's adequate provisions for equipment, as well as transportation, especially if you're a state who is a grantee that has a large geographic area that you are addressing across your state that may require transportation back and forth to the project sites or the location where the services are being provided.

And finally, what we want to make sure we have is how do non-performance or other types of issues that we're going to call here a finding, how are they going to be resolved in a timely manner?

This should tie back again to your agreement, and it also, however, should be clear that, if there are certain circumstances or issues that arise, that they are not left unresolved for an extended period of time because, if that is the case, then what you will find is that whatever problem arose, it will not be addressed or corrected and could lead to improper payments.

When we talk about the oversight of subrecipients specifically, we want to use the results of our assessment. And we're going to talk a little bit more in detail about that assessment itself. And as part of that assessment, it could be that you need to work with the subrecipient through training and technical assistance because this, under your identified method of delivery, is the best possible candidate to assist in carrying out the overall objective of the disaster recovery programs. All right?

The key here is is determining the level of risk associated with entering into agreements and funding that subrecipient. So again, we go back to some of those assessment elements that we just spoke about previously. For example, knowledge of the requirements of the program, as well

as the other standards under federal requirements that will be subject to or will be brought to this activity or project.

The complexity and the size of the program. If you engage a subrecipient, for example, that might handle 100 cases in a year and now you've engaged them to handle 600 or 1,000, then that may double, triple, quadruple the usual volume of production that they're accustomed to handling and could overwhelm them. So that's one consideration you need to look at is is, are we asking this organization to take on something beyond their capacity? Even though they might be a great team to work with and they might ultimately be a good partner, you need to factor in those risks.

The financial management indicators, specifically -- especially if you have a subrecipient who has been a prior recipient of funds, what is their track record in terms of expenditure rates? Have there been any unresolved prior audit findings or other concerns that were raised, whether it was through an external independent audit or a review from the grantee or from HUD? All right.

And then, finally, we want to look at a couple of things that are not necessarily as straightforward, but is there staff turnover? Do you see a lot of churn in those positions? Are the people that are hired, are they actually have the sufficient background and qualification to take on that position? And that includes both at the management level, as well as the staff level. If you see a lot of turnover within an organization, that gives one reason to question its overall stability.

And then, finally, citizens. Feedback from citizens is important. If you're working in a beneficiary environment where you're dealing with individual homeowners or it could be an economic development initiative where you're making financial assistance available to small businesses, is this program working effectively to the extent that the intended target beneficiary audience is not raising issues or complaints with the manner in which the program is running. All right.

When we look at the level of risk, we identify and we want to establish how we want to monitor these activities and projects, and we want to do this in a manner that we are scheduling on a regular and frequent basis. Okay? And at a minimum, every subrecipient needs to be monitored no less than annually.

But some may have higher levels of risk or complexity than others. Some may be very accomplished. Some may be very experienced and can be a lower risk, as opposed to an organization or a government agency that might be taking on a project or program for the first time, especially in larger geographic areas or areas where the disaster has had widespread impact that covers multiple units of local government. All right.

We want to also make sure that we're keeping an eye and tracking our financial progress monthly and are looking at the actual expenditures versus the overall budgets. Now, with the use of the disaster reporting grant system and other tools that are available, this financial progress on a monthly or even a quarterly basis can be identified pretty quickly with the internal systems that are already set up within our disaster recovery framework.

And then, finally, the QPRs, the quarterly performance reports that are submitted to HUD, this is also another tool that both the management, as well as compliance monitoring, as well as program staff can use to identify and track progress.

If we have a situation where a subrecipient is not progressing in a manner that is sufficient to meet the overall goals and objectives, remember these grants now have a six-year expenditure deadline on that, and you can't wait until year four and a half to start to take corrective actions.

So if progress isn't being made, you need to be able to let the subrecipient know in a timely manner and be specific. You also need to be in a position to identify corrective actions or steps that you feel will address the deficiency or the lack of progress, and you may also enter into or develop a -- what I'll say is a remediation or an action plan to address these performance deficiencies. All right.

If that does not approve, if corrective actions aren't taken, then the grantee needs to be in a position to move forward and to implement or to execute those provisions that could ultimately result in termination or cancelation of the funding. All right?

The other thing that's important to understand is is that, while the grantee ultimately is responsible, HUD will in fact monitor subrecipients independent of the grantee to make sure that the information that the grantee is providing, they're double checking and verifying the subrecipient activities and the subrecipient performance independently. All right?

What we say, again, is is that, while HUD encourages grantees to monitor subrecipients at least annually, I think it is a performance standard that has been well-established that all subrecipients should be reviewed no less than an annual basis. Okay?

And then, finally, one of the areas that has drawn significant attention not only from HUD itself under the CPD through its direct monitoring of grantees but also through the Office of Inspector General, is when procurement comes into play. Kelly touched briefly on the distinction and the differences between subrecipients and contractors.

It's important to understand that a subrecipient may be charged with undertaking a large capital improvement project to mitigate future risk for disasters and have to engage contractors. That means not only does the grantee have to oversee the subrecipient's performance. They also must ensure that that subrecipient carries out that procurement correctly. All right?

The key here is -- and this is a point that has evolved significantly in the most -- in the more recent years -- is the evaluation of cost and price of a product or a service in advance of bid opening. And when we monitor this, we need to see that documentation was developed in advance. It can't be done after the bids are received. It must be done before the bid is issued. Okay?

And the key thing here is that, especially in procurement, we need to make sure that the procurement meets the basic standards as articulated in part 200, specifically, fair and open competition.

So these are important elements that when we look at a subrecipient and we're assessing the capacity of the subrecipient, we really need to know whether or not there -- they have the experience and the ability to procure so that that element or that procurement doesn't tie up or call into question the larger objectives of the disaster recovery effort.

When we talk about subrecipients, it's important for grantees, now especially more than ever, to make sure that they have and they can distinguish clearly the multiple disaster appropriations that they received not only from HUD but may have also received from other federal agencies, including FEMA. All right?

These are important because some agencies, especially when we have state partners or state sister agencies, may have experience with other federal disaster funding standards and not necessarily be familiar with those as articulated under our HUD programs.

When we talk about standards and requirements specifically for a grantee that may have received funding under multiple disasters, there are a variety of standards and requirements that have been articulated in the Federal Register notifications for each appropriations that include elements related to, for example, the national objective where low/mod percentages can vary between 50 to 70 percent.

Also, it identifies and may distinguish between the most impacted and distressed areas, specifically for the mitigation grants where this is becoming important.

Eligible costs and activities, specifically under reimbursement, this is an area where we're dealing with subrecipients. They've gotten a request for pay. They've made the payment. They've now submitted a request for reimbursement to the grantee, and there could be issues there in terms of are they allocating the costs to the correct grant? Are they allocating the costs to the correct activity? And as a result of that, is it meeting the correct requirements based on that appropriation?

In the more recent HUD appropriations for disaster recovery, we're seeing affordability periods imposed upon housing. We need to make sure, no differently than we did under other HUD formula programs such as the HOME program as well as the NSP program, make sure that there are enforceable provisions for that affordability in those projects.

We need to make sure that we are capturing the income and the household or composition characteristics, specifically if there's an assistance priority. For example, a low income elderly disabled person may be prioritized over a non-elderly non-low/mod able-bodied household. So if those are the cases, those types of things need to be clearly distinguished.

Duplication of benefits. This is something that is an ever-changing and evolving arena because of the myriad of different funding sources that can come to any given disaster, depending on the type and nature of the disaster itself. It could be from federal agencies. It could be from state, local, or private funding. The duplication of benefits analysis is a key element under disaster recovery.

And then, finally, standards established in the Federal Register notices when we're talking about housing or non-housing community facilities, or green and energy efficiency, as well as any other codes and standards. So these are the types of things, and when we talk about a grantee, they need to have the capacity, especially if they're receiving multiple-year awards.

We talk about the grantee staffing and capacity consideration. Hiring and training qualified staff is not only essential, but it is key to success. And the main thing you're going to find is is that you're going to -- especially if you're a state or you're a large unit of local government that might have significant disaster recovery awards, you're going to have to have staff with a multi- -- with a variety or multiple backgrounds or experiences, including things like construction management, as opposed to somebody that might be a CPA, certified public accountant, who can look at financial and cost accounting records, as opposed to someone who might have a background in environmental sciences and environmental studies that can understand and digest those environmental standards or requirements for any given project.

When we talk about looking at staffing and we talk about the considerations for staffing, key responsibilities include policies and procedures for management and oversight, and the main thing about policies and procedures and tools are these are not a one-time exercise. Policies and procedures need to be updated repeatedly throughout the life cycle of a project because circumstances change. There could be newer priorities.

An action plan is, in many ways, a -- only an initial step. Kelly talked about the prior webinar in terms of program launch. So what you're going to find, especially for new grantees, is substantial amendments and changes to policies and procedures are not something to either be afraid of or to avoid but things to understand and to clearly and adequately document.

Training and technical assistance is something that must be in place day one in order to ensure that your subrecipients have resources to reach out to and expect to provide support to make sure that they can get the job and the project handled correctly. All right?

The other thing that's important is, if there are audits or other reports of deficiencies, whether it's an outside external audit or it is a review done by other units of local government or states or even federal government, that those issues be resolved in a timely manner. And in fact, the fitness of an organization will depend, in many instances, on whether they can, in fact, address these unresolved issues in a timely fashion.

The main thing that I think as a take-away from the staff and the oversight and the monitoring is that the program staff, the people that deal day to day with subrecipients and the management of that, as well as the compliance and monitoring staff, may need to communicate in real time and have coordination with the larger DR team.

If you're monitoring and you're compliance team are out there doing their job, they should be able to coordinate and communicate their findings in a timely manner and seek and receive the support of the management and the program staff to be able to enforce any corrective actions that may result from that review. All right.

One of the things that's also important to understand is that the MIT notices have additional enhanced requirements for subrecipient management, specifically that the criteria be used to evaluate their capacity be in writing and that the frequency by which grantees will monitor their subrecipients who will be responsible for the administration of the MIT funds -- all right -- must be in place -- all right -- specifically, how you're going to monitor them and, if there's problems, how you're going to address them, and this includes not only subrecipients but contractors and other program participants.

So what we're going to talk about in our next module is how do you undertake and some of the practical elements of monitoring. But it's important that these enhancements, specifically under the MIT program, are those that are coordinated with and relate directly back to the certifications that were submitted. Okay.

So it's important to understand that HUD is focusing on this, especially under the MIT programs, as a significant standard to which they will hold grantees accountable. All right.

What we're going to do now is we're going to move into our next element, which are some of the more fundamentals related to monitoring. We've already spoken in some instances about a number of these, but we wanted to be able to go over and talk and the five habits of highly effective subrecipient monitoring.

Okay. This is a graphic that essentially, when you look at this, we're going to undertake and identify what our risks are. We're going to, based on that assessment of risk, identify the number of times, the frequency by which we're going to undertake monitoring and compliance reviews. We're going to also, by virtue of establishing setting up checklists, tools, policies, and procedures, detail the thoroughness of those reviews. All right.

And the important thing is is that when we do conduct a review, that we have evidence to support a conclusion that there's a deficiency, that there's a challenge, that there is some other issue, whether it's a finding or a concern.

And then, finally, what methods do we have in place to track the corrective actions that were undertaken, as well as the follow up? And the key here is is that I can write a response to a monitoring finding or an audit exception, but I also have to be able to demonstrate and evidence that I've actually taken those corrective actions, put them in place, and I'm moving forward.

So when we talk about these five habits of highly effective subrecipient monitoring, they all form what I call sort of a continuum of continuous improvement. That's the overall objective of that approach. Okay.

When we talk about the risk assessment factors, there's factors for financial management. So for example, do they have poor budget controls or poor accounting systems? All right. Are there evidence of unsupported payments? Do they have a history or are there evidence of contractor billing issues? And then the worst that could occur, but do they have conditions that would otherwise allow for financial fraud or waste or abuse?

When we talk about overall management, it's important to understand that do we have poor record keeping systems? Do we have untimely or inaccurate reporting that is done or lack of communication? Is there any contractor performance issues related to our programs that have not been addressed by management? All right.

When we talk about stakeholders or customer or citizen input an satisfaction, do we have issues with citizen complaints, specifically people that aren't returning phone calls or I had -- there were inspections or property evaluations scheduled? People didn't come in or didn't come in a timely manner, those types of things. Public hearings weren't conducted in a good fashion.

And then, finally, services, the complexity of the program. Have we made this program more arduous to run than is absolutely necessary?

So we want to look at these risk factors, and we want to be able to rate and rank them. And here's an example of a simple rating that can be used. And, obviously, for space and sort of illustrative purposes, this is somewhat simplistic, but what it does is it breaks down those sort of key areas, financial accounting systems, overall management, stakeholder satisfaction, and overall provision and delivery of services. These are the kinds of things that we also want to make sure that, when we talk about a grantee or we talk about a subrecipient, we are looking at this.

And then what we want to do is we want to rank them. Okay. And when we talk about ranking these, we want to make sure that we are encouraging our grantees, again, to monitor no less than annually. Okay? Because you want to, obviously, address the highest risk, but you also don't want someone who may score low on a risk assessment to go unattended because failure to keep sort of an eye on all of your subrecipients may lead to problems with those because they may feel that, well, no one ever told us that we were doing something ineffective or inappropriately.

When we talk about those things, here's a laundry list, and, obviously, this is examples. This is not inclusive or comprehensive by any means, but we want to make sure that we hit some of the higher, more -- some of the more prevalent or more major elements, which include eligible activities, as well as our national objectives.

We want to make sure that we have sufficient documentation to tie back to the qualified disaster. We also want to make sure that, depending on what other federal requirements may be brought to the project or activity, that they are clearly identified not only in writing in the written agreements but also that they are monitored.

We also need to make sure that there's a stringent and comprehensive review of the duplication of benefits. It's not uncommon to have at least three reviews over the life cycle of a grant award, and that does not limit itself only to individual beneficiaries. It's any recipient of disaster recovery funds must have undergone the analysis of a duplication of benefits. So that could include a unit of local government who is undertaking a capital or infrastructure project. All right.

Policies and procedures specifically -- and we didn't have a lot of time in today's session to talk about internal controls and separation of duties, but this is typically one area of continued weaknesses and risk in subrecipients because of staffing and limited local revenues to potentially adequately fund. So we need to make sure that we are clear that, not only are appropriate policies and procedures reviewed and in place, but they include internal controls and the separation of duties. All right.

And then, finally, any additional requirements that a grantee may implement on their own that exceeds what the minimum standards are articulated by HUD for those specific appropriations. Okay.

When we talk about tools that are helpful, one of these tools that I've always used and relied upon is the CPD Monitoring Handbook. There are sample exhibits used by HUD when they monitor grantees. And grantees should not only review these but I strongly recommend that you use them as a template or a jumping off point for you to also be in a position to develop your own internal tools, specifically monitoring checklists, not only because HUD is identifying a structure and a format but also because I gives the grantees the ability to include additional requirements that you may have imposed that are above and beyond what was in the appropriations in the Federal Register.

Just by way of information, HUD is still working to update the Chapter 6 exhibits. So as written -- excuse me. So right now, they are still underway in development and should be issued shortly, but there are also a significant number of support or corresponding tools in that handbook that might relate to the specifics that you are undertaking for your programs.

So this is a quick shot, and here is the link to the handbook. One of the things that I found, for example, if I'm looking at a service-related type of a program or I'm looking at review of environmental reviews that were undertaken by perhaps a contractor, there are good tools in there for looking at those perhaps cross-cutting federal standards or other things that you can incorporate into your tool kit. So don't feel limited or restricted if the sample exhibit doesn't include some things that you would like to have.

And we talk about getting organized. The main thing that's important is that you have your tools in place. Take the time to create your checklists. Make sure that you can document what our present -- excuse me. Make sure that it -- make sure that your checklist provides you the assistance in organizing your documents before you are undertaking your review. I apologize for misspeaking at that point.

Review the agreements. You need to know what's in the agreement. Your agreement should be specific to the recipient of the funding, as well as the activity, the project, and the program undertaken. It should have a schedule. It should have a budget, and it should have clear milestones and objectives.

You want to check the systems records, both hard copy files and the computer system. It is not unusual, for example, if you're monitoring a program to find that records such as environmental review records might be stored elsewhere than where the program agency might be located.

That's not unacceptable, but you should be able to identify clearly and understand where all the records are.

Your approach to monitoring, there's two essential approaches. One can be an on-site review, and the other can be a desk monitoring, as it's known. That desk monitoring can use established reporting systems. It can use telephone interviewing. It can use other things that preclude a site visit, but nonetheless, can constitute a monitoring.

So we talked about annually monitoring your subrecipients. You don't have to necessarily visit 100 percent of them once a year if you're monitoring plan is clearly identifying the highest risks, how you're going to address and mitigate those risks, and the approach that you're going to take to monitoring whether it is on site more than annually or undertaking a desk review.

And, finally, it's important that you prepare before you go to your location to make a point of being familiar with those folks that you're going to be working with during the review.

When we talk about findings and concerns, these are the standards established by HUD for a finding, which is a deficiency in the performance of a statutory, regulatory, or program requirement. A concern is a deficiency that, if not addressed, could lead to a statutory, regulatory, or program requirement failure. Okay.

So these are two terms that you will hear. Audit -- the single audit requirements found in part 200 use some different terminology, but essentially these are the results of a review by an outside entity. All right.

Common findings. Real quickly. We've got a few more minutes left, and I'm going to try to go through these as we've seen these before.

Record keeping. I've said this for many years, and many of you who may have sat in on some of my discussions but CPD field office director once said to me as a very wise statement, "The road to heaven is paved with documentation, documentation, documentation."

We need to make sure that we have adequate records to support and establish compliance. And lack of record keeping is usually a sign of larger problems.

Duplication of benefits. There has been in the more recent years more prescriptive standards as it relates to the analysis of duplication of benefits. It also, in some instances, has resulted in a request to recoup or return funds back to a grantee because of potential overpayment that was made.

When we talk about duplication of benefits, we should have no less than two, likely three, reviews, initially, at the time of the actual award or execution of our written agreement, and then at the closeout to ensure that not only were the other potential duplicative benefits identified, they were analyzed and ultimately at the closeout, to ensure that they were not received once that interim analysis has been completed.

We talk about national objective. Typically, low/mod area service benefit areas are one that has caused problems because they are not properly calculated. It is done on a block and lot basis, or it can be done by survey. But either way, identifying or area benefit is something that has been repeatedly identified as common coming across a number of grantees. Okay.

The other thing that's important, the urgent need national objective is not necessarily as common in using that in the disaster recovery environment, but it is, nonetheless, something that HUD has identified as a potential -- a common finding. All right.

Financial management. These are things that financial controls, accounting procedures, the financial management reports, the interview of staff, and the review of source documentation to establish the basis of cost. These are things that HUD looks at when they are reviewing and monitoring for financial management.

Procurement. One of the single largest problems for procurement has been the lack of free and open competition. In addition, conflict of interest. In many instances contractors participated at some point, either in the feasibility or the development of the specs and standards, then subsequently are permitted to bid on the actual work itself, constituting a potential conflict of interest.

We talked earlier again -- and these are things that are important about having a cost or price analysis done in advance of a procurement. In addition, the penalty or liquidated damage clause applies to all contracts. These benchmarks are included not only for construction but also for management or administrative services.

And then, finally, you want to make sure that you're looking at any overuse or suspicious change orders that take a base agreement and multiply its dollar value well beyond what its original intent or scope was.

Environmental compliance. Under the environmental standards, no one upon application can enter into any choice limiting actions until such time as the authorization of these grant funds is issued. These are important reviews to make because, even though there may be an approval of an action plan, each individual project or activity must undertake an environmental assessment, which ultimately may result in it being either exempt or partially or categorically excluded but, nonetheless, needing to document not only that it was undertaken but that no costs or expenditures were made prior to the issuance of an AUGF.

Another issue or another area that HUD is following up on more stringently is following up on mitigation actions. This could include measures taken during construction to mitigate potentially sound, noise, dust, debris. Also, it could include elevation, as well as perhaps mitigation off site of things like wetlands.

Policies and procedures. The policies and procedures, a typical problem has been insufficiently detailed, do not align with the program design, and are not dated or updated to show changes or revisions that occurred which are always going to happen. So understanding that the policy and procedure is a living document is important not only to make sure that if changes occur, that they

are updated and documented correctly but also that, when changes occur, that they are monitored to ensure that staff are adhering to these changes or provisions.

At this time I'm going to turn this back over to Ms. Price, and she's going to try to talk about the training and technical assistance.

Kelly Price: Great. Thanks, Kevin. I'm going to skip the poll that was in the slides. I just skipped right by that slide. I'm sorry. Now, I'm on, I think.

Thanks, Kevin. I'm going to skip by the poll that we had in here just for the sake of time. We had a lot of materials to cover today.

I just want to end on -- Kevin sort of -- Kevin and I have worked together a long time. I sort of say he's the police, and I'm the cheerleader, but I'm going to end on a little bit more of an up note, which is certainly the selection, agreements, the compliance, the monitoring function, and all of that are absolutely critical and just have to be there. You have to have that policing. You have to have that enforcement and ramifications for non-performance.

But I do want to emphasize the importance of technical assistance and training, something I've spent nearly my whole career doing and believe wholeheartedly in. And I know there are some grantees that have set up shops, if you will, within their agencies to be able to provide these kind of techniques to enhance the oversight and monitoring component so that you are providing not only enforcement but also assistance and a helping hand and information and capacity building.

I don't think anyone who's ever worked with disaster situations and disaster funding can ever say that they were prepared to take on what you have to take on to complete a successful recovery. And so we all have to grow. We all have to ramp up very quickly. We're all dealing with lots of factors and lots of conditions flying at us and changing circumstances.

And so to be successful we encourage you guys, grantees and your partners, to establish a training and technical assistance component to your overall subrecipient oversight. And I would actually say the same is through with contractors as well, but particularly for subrecipients because they are carrying out significant responsibilities and subject to all of those requirements.

Think about setting up sort of what I call intensive TA and training at the start, so that sort of boot camp style training. We are doing that currently internally to kick off a big new project, and so literally two weeks full of training for all the staff that will be working on that project to make sure everyone understands all the requirements, is on the same page, and knows where to get the resources and whatnot.

We also encourage grantees to always play a heavy hand in reviewing and, if you need to, even sort of signing off on various documents and tools that the subrecipient will use to carry out the program on your behalf. I've seen circumstances recently where subrecipients were carrying out a program for a grantee, and the grantee had no idea what their intake form looked like or what their DOB checklist was or what their file checklist looked like or what they had recently changed in their subrecipient agreement -- or excuse me -- their agreements with other parties.

And so I would encourage grantees to, if not even sort of provide them with those tools and documents and boilerplates and samples, but to also at least be in the loop in terms of reviewing, if not even more formally, approving and signing off on all those really relevant key tools that are used to carry out the programs day to day.

Besides the intensive sort of boot camp philosophy around them starting up a program and getting everybody trained and on the same page, make sure there's continual sort of evolution of that training and technical assistance. So periodic -- and of course everything right now is virtual. So it's sometimes a little harder, sometimes a little easier, but you can reach folks in the field vis-à-vis lots of new virtual mechanisms.

And so doing quick webinars, doing quick virtual news blast or whatever it is to sort of summarize new requirements, direct them to resources on the HUD Exchange or on HUD.gov so that they know at any given time what's going on and are up to speed.

Kevin mentioned this, and I just want to mention it again and again. There's a constant process, as many of you have done this a long time know, of adjusting, revising, and amending agreements, policies and procedures, and the different tools and checklists and other forms that are used day to day in these programs. And so making sure that you're constantly retooling and improving and updating to mirror all the various requirements and changing circumstances that are happening and sharing those forms and making sure they're formally adopted by the subrecipient is really important.

Providing access to resources, be that some sort of SharePoint or Teams or whatever works for you with your grantee and your security systems and to your IT requirements and the subrecipient's capacity. But make sure they have access to all of the various information. Have places to post things and send things in an efficient manner so that that communication is constantly happening and those resources can be tapped as they need them, that sort of just in time philosophy. You don't know what you need until you need it, and being able to go find it and access it quickly and understand it and digest it is really helpful.

I like to talk to some of my state clients who set up specific folks who are just the way HUD is. HUD has organized itself around some key foundational functions like the policy group and whatnot but also has representatives who are that grantee's rep and that's who you call. And so consider that model working for -- at the grantee level with your subrecipient.

Some of you already do that, but some don't. Some are split by cross-cutting functions or what have you. There's different ways to slice and dice it, but at the end of the day the subrecipient needs to know who they can go to to ask questions and to have some trust to have a conversation about something that might be heading towards a problem but could be headed off at the pass if they have that person they can go to on an ongoing basis to have those conversations.

We also recommend formally setting up a meeting schedule, weekly standup calls, sometimes daily even initially with some of these programs, but weekly calls and then monthly calls that may cover some other topics and involve more leadership in those meetings. But think about a

plan by which you're going to communicate and collaborate together. And the better that relationship is, the more successful folks will be.

And then of course we all want to sort of share in the failures and successes. These programs are the hardest probably that have to happen in the world, to be honest. So there's going to be barriers. There's going to be some setbacks, and to be in the trenches together to support the subrecipient to learn from it and fix it and move on and then to share in those successes and do that with the public, with your political leadership, and with their employees and the folks that are working so hard in the trenches to encourage them to continue those behaviors is really great.

So we just, again, wanted to kind of emphasize those items.

I know we're running right at time now or just a hair bit over. Again, we've had a lot of great questions that have come in. If folks want to hang on for just a few minutes, we wanted to highlight a couple of things.

I wanted to -- and, Mikayla, certainly I may need you here. I'm trying to juggle a lot of questions and our chat box and with my getting old eyes.

So one of the things we did want to emphasize, just we had a couple questions that highlighted the fact that we want to reiterate the difference between subrecipients and contractors. So again, subrecipients generally are nonprofits or public agencies carrying out program on behalf of a grantee. So they're under the grantee, carrying out a program as a nonprofit or a public entity.

With you guys at the state level, you have some decisions to make about exactly what type of agreement you enter into with your sort of cabinet-level state agencies. But essentially that's the definition we have.

Contractors are private entities secured vis-à-vis procurement. There are, of course, always exceptions.

And so one question we got was, "What if we had a nonprofit entity who responded to a competitive procurement for a particular activity? Would they be considered a subrecipient just because they're a nonprofit but they did, in fact, respond to a competitive procurement, adhered to all the procurement requirements, and the bid and what have you?"

In this case it was a workforce training activity. Several responders of which nonprofits play a pretty active role in the workforce development, workforce training world. And so it's not out of the question that you would see that happening.

So what we suggest to you is you really have to peel that apart. And so, if, in fact, you just did competitive procurement and the entity responded along with any private entities and will be treated as such, you're analyzing the cost as such, they're carrying out that narrow scope of work as part of that procurement, will have a contract that dictates that, then they can be treated as a contractor and not a subrecipient. They're carrying out a very specific, for example, job training function.

These are all very different. We had a couple other variations on that theme also around when is an entity a subrecipient or a contractor related to some other specific eligible activities, some of which are only eligible by waiver. So we would always encourage you to talk to your HUD rep and play those scenarios out because it really does depend on the specifics. How was the procurement handled? Who responded? How was it priced? What does the agreement say, that sort of thing? So some of these we can't answer wholeheartedly.

Let's see. Mikayla, the one I have not gotten to yet that I was trying to answer, the issue -- we had a question, which I think is a good one, around the doing capacity assessment of a subrecipient and what the timing of that should be, whether that should occur prior to the execution of a subrecipient agreement or can it occur after the execution of the subrecipient agreement?

Mikayla, do you want to jump in here? I'm just now reading your response.

Mikayla Catani: Sure. Yeah. So we would really recommend, when you're looking at your subrecipients, it's a factor that you consider. Is there capacity to be able to implement your programs and your activities; right? So if they don't have the capacity, as I think both of our panelists mentioned during this presentation, they might not be able to successfully implement the program the way that the grantee might want to.

So I think it's important to assess it before you execute an agreement, and if you need to include any provisions about the subrecipient building their capacity in the subrecipient agreement, you would be able to add it in those agreements before execution and make sure both parties are all in agreement on what the requirements are between both parties to get those activities and programs answered.

ICF, do you have anything else you want to add to that?

Kelly Price: No. I don't think so. I mean, and just general good practice would be that, before you would want to sort of marry, if you will, an entity, you would want to understand what you're getting into; right? So best practice always would be to at least have some assessment of their capacity and their capability to carry out a program for you before you enter into an agreement that they're going to do so. That's great.

And then we had one, Mikayla, come in that I was starting to answer again before I started talking. Question about -- this goes a little bit more into kind of administrative stuff, but question about documenting time for a subrecipient who may be charging, I assume, activity delivery costs and whether or not a narrative would be required to support that cost.

Mikayla Catani: I'm not sure if I fully understand the question, but as your subrecipients are doing their work and applying those activities to implement the programs, you're going to want those documentation, whether it's invoices for reimbursement costs or timesheets to track staff time. So I think it just kind of depends on what the activity is because the grantee in that

relationship is going to want to verify that those activities are eligible and in alignment with what you're executing.

So you're going to want that description. I think how it's represented can be worked out between both entities, but you're going to want something just to verify that everything is in alignment with what you both are trying to accomplish and to have that check.

Kelly Price: Yeah. That's a great answer. So folks will see, as I kind of -- the timesheets may very well be sufficient, but it depends of course always on what your agreement says; right? As you said, what activities are they carrying out? What other functions does that person perform? If they are doing things for another project or program, then some sort of narrative that explains how they've spent their time might be necessary to document that cost, like you said.

So really it's you got to use your best judgment here to figure out -- if I were an auditor; right, Mikayla, or if I'm a head monitor, I need to see what I need to see to be able to document that cost, as you said. If a timesheet is pretty straightforward and those ten people are working 100 percent on intake and case management and that's the function the subrecipient is performing, that may be straightforward enough and adhere to the agreement. But it might be more complicated than that; right?

Kevin Roddy: Kelly, this is Kevin here. Just if I could just weigh in real quickly on this one point because there was a couple things I forgot to talk about real quickly is, number one, when we talk about the overall cost and how we allocate the cost of compliance and monitoring, it must always be charged to the administrative 5 percent cap. That's number one.

When we talk about general timesheets or we talk about recording reimbursement or expenditure for staff costs in terms of hourly time, each grantee, as well as every subrecipient, needs to have sufficient records, whether they're electronic or hard copy, that are auditable and verifiable related to timesheets.

If we're allocating costs across multiple grants, whether it's federal versus non-federal or within federal structure multiple appropriation years, then the timesheets should have sufficient capacity or the timekeeping system should have sufficient capacity to also capture what activity did I undertake?

So it's not unusual, especially in units of local governments, where individuals might be charged to multiple cost centers or multiple grant sources that they have to distinguish what they did at a given date or time to be able to allocate that cost to that grant. So those are important basic prime elements in your recordkeeping and your financial management systems.

Mikayla Catani: Thanks, Kevin. That was great information.

Kelly Price: Yeah. Thank you, Kevin. There were more -- there were some very specific, I'd say, questions that we've tried to answer here in the Q&A as we went back and forth. Note that we are kind of keeping track of all the Q&As from all of the webinars, and we'll talk to HUD about

if any of those are things that need some follow-up information when we get through the next few webinars.

Didn't want to -- a couple people asked specifically HUD for the link to the Monitoring Handbook and exhibits that Kevin had referred to. So I've got that up on the screen so you can see that. And, again, keep in mind that HUD is currently updating that part of the Monitoring Handbook specific to CDBG-DR.

So always know that you can get to this information. Folks also asked about the webinar materials. Again, you can get to that via HUD Exchange as soon as we can post that information.

And I think we are well over at this point. Very popular webinar today with lots of great questions. Again, there's some resources there. Our contact information is at the end of the presentation.

Mikayla, any other parting thoughts? You may want to mention the rest of the series.

Mikayla Catani: Yeah. Thank you all, again, so much for your time and participation in this webinar. If you're available, please register and join us for our upcoming trainings that we are holding as part of this series, which you guys can see on the screen. And we hope to have you guys in the future. Thank you so much.

Kelly Price: Thanks, everyone, for joining. Have a great day.

(END)