



U.S. Department of Housing and Urban Development Office of Housing Counseling

Sub-Grantee Award & Monitoring Guide

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Facilitated by

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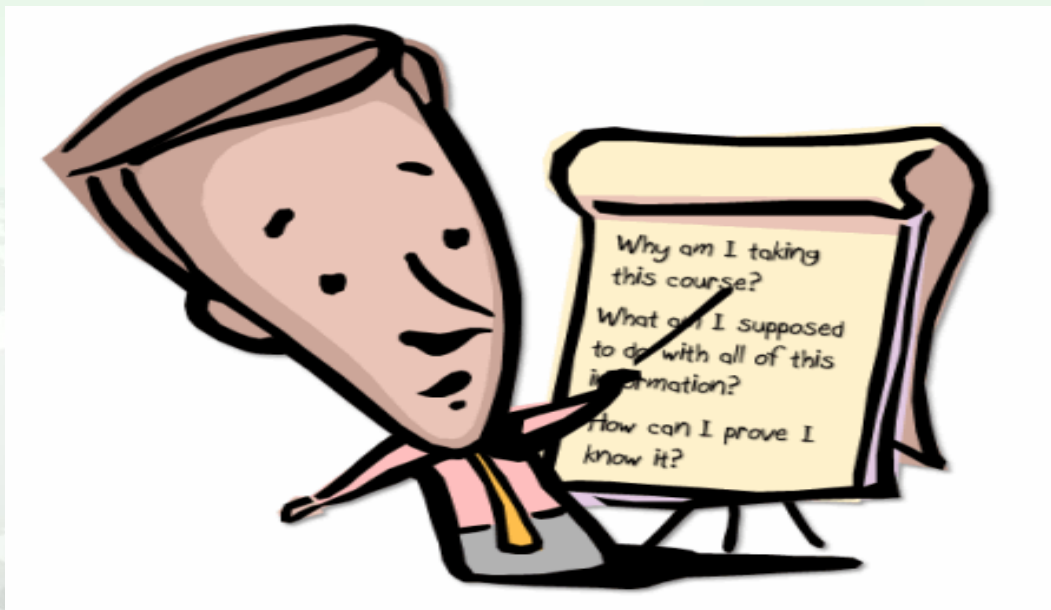


AGENDA

- ❑ Purpose of Training
- ❑ Sub-Grantee Award & Monitoring Guide:
 - ❑ Overview
 - ❑ Sub-grantee Pre-award Assessment
 - ❑ Sub-grantee Risk Assessment
 - ❑ Parent On-Site Review
 - ❑ Sample Work Papers
- ❑ Feedback from Grantees
- ❑ Requesting the Assistance
- ❑ Questions

PURPOSE OF TRAINING

- To review Office of Management & Budget (OMB) Sub-Grantee evaluation, award and monitoring requirements
- To provide an overview of the Sub-Grantee Award & Monitoring Guide which includes:
 - Sub-grantee Pre-Award Assessment
 - Sub-grantee Risk Assessment Guide
 - Desk Review Guide
 - Parent On-Site Review Guide
 - Sample Work Papers



OVERVIEW

What are the regulatory requirements?

OMB 2 CFR Part 200, Subpart A, §200.331-Requirements for Pass-Through Entities states that pass-through entities **MUST**:

- ❑ Evaluate sub-grantee's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the sub-award for purposes of determining the appropriate sub-grantee monitoring,
- ❑ Consider imposing specific sub-award conditions upon a sub-grantee if appropriate,
- ❑ Consider whether the results of the sub-recipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.
- ❑ Consider taking enforcement action against noncompliant sub-recipients as described in §200.338 Remedies for noncompliance

What are the regulatory requirements, cont'd.?

- ❑ Depending upon the parent agency's assessment of risk posed by the sub-recipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
- ❑ Provide sub-recipients with training and technical assistance on program-related matters,
- ❑ Perform on-site reviews of the sub-recipient's program operations,
- ❑ Arrange for agreed-upon-procedures engagements as described in §200.425 Audit services.

HUD OHC Funds Flow Chart

U.S. Department of Housing & Urban Development (HUD)
Office of Housing Counseling (OHC)

Parent Agency

Sub-grantee 1

Sub-grantee 2

Purpose of the Guide

- ☐ Provide guidance to parent agencies who sub-grant HUD OHC funds,
- ☐ Provide tools for conducting pre-award assessments,
- ☐ Provide guidance for properly documenting sub-grantee sub-award process,
- ☐ Provide guidance for conducting risk assessments,
- ☐ Provide guidance for conducting desk reviews and on-site reviews,
- ☐ Provide sample work papers for documenting pre-award assessments, risk assessments, desk reviews and on-site reviews.

How is the Guide Organized?

Sub-grantee
Pre-Award
Assessment
Guide

Sub-grantee
Risk
Assessment
Guide

Sub-grantee
Desk Review
Template

Sub-grantee
Parent On-Site
Review
Template

Sub-grantee
Quarterly
Financial
Report
Template

Sub-grantee
Quarterly
Invoice
Template

- ☐ Workbook available electronically and in hard copy
- ☐ Includes checklists, work programs, templates, forms and guidance in Microsoft office compatible format.



PRE-AWARD ASSESSMENT



PRE-AWARD ASSESSMENT

What is the Purpose?

- ☐ Determine eligibility of the potential sub-grantees
- ☐ Assess risks and capabilities of potential sub-grantees prior to awarding HUD OHC funds.
- ☐ Identify areas of potential deficiencies to determine the need for special conditions to be included in the sub-grant.
- ☐ Identify need for technical assistance early.

PRE-AWARD ASSESSMENT

Typical Sub-Grantee Application

- ☐ Application Form/Cover Sheet
 - Name, Address Contact Information
 - Narrative of Proposed Activities
 - Need to be addressed, service languages, modes of services, target groups, etc.
- ☐ Financial capacity
- ☐ Implementation Schedule
- ☐ Detailed Budget that shows all funding sources
- ☐ Staffing Structure
 - Staff capabilities, certifications, past experience
- ☐ Narrative of how Applicant plans to maintain compliance with HUD OHC requirements

PRE-AWARD ASSESSMENT

Considerations?

- ☐ Does proposed plan address established need?
- ☐ Have all major activities necessary to implement work plan been identified?
- ☐ Does Applicant have past experience?
- ☐ Does Applicant have qualified staff?
- ☐ Does Applicant have adequate fiscal and management structure to comply with HUD OHC requirements?

PRE-AWARD ASSESSMENT

Application Rating Factors

Rating Factor 1: Capacity

- ☐ Evaluate Applicant's readiness and ability to successfully implement proposed work plan
- ☐ Evaluate the expertise of Housing Counselors, languages offered, geographic areas to be served, etc.
- ☐ Assess past performance with compliance requirements.

PRE-AWARD ASSESSMENT

Application Rating Factors

Rating Factor 2: Need

- ☐ Assess program need and justification documented in proposed Work Plan.
- ☐ Assess proposed benefit to target areas; isolated persons, persons with disabilities and persons with Limited English Proficiency (LEP).
- ☐ Assess whether proposed Work Plan is aligned with Notice of Funding Agreement (NOFA) priorities.

PRE-AWARD ASSESSMENT

Application Rating Factors

Rating Factor 3: Soundness of Approach

- ☐ Evaluate estimated number of clients to be served and housing counseling activities to be provided.
- ☐ Evaluate budget, oversight activities and soundness of projected Work Plan.

Rating Factor 4: Leveraged Resources

- ☐ Evaluate ability to obtain funding from other non-federal sources (e.g. grants, fees, and in-kind contributions).

PRE-AWARD ASSESSMENT

Application Rating Factors

Rating Factor 5: Achieving Results

- ☐ Evaluate Applicant's methods used to measure performance of program.
- ☐ Evaluate Applicant's transition or succession plan.
- ☐ Evaluate Applicant's participation in other HUD sponsored programs

Bonus

- ☐ Timeliness & Completeness of application

PRE-AWARD ASSESSMENT

Sub-grantee Pre-Award Assessment Form

Example

#	QUESTIONS	YES	NO	N/A	COMMENTS
Rating Factor 1: CAPACITY					
1	Has more than 50% of housing counselors received formal housing counseling training in the past two years (not including on the job training)?				
2	Does the Applicant require training or certification for housing counselors who will provide services under the HUD OHC program?				
Rating Factor 2: NEED					
3	Do the activities described in the proposed work plan address an established need?				
4	Does the Applicant intend to serve a community that includes a Rural Area as defined by the U.S. Department of Agriculture at 7 C.F.R. § 3550.10?				
Rating Factor 3: SOUNDNESS OF APPROACH/SCOPE OF HOUSING COUNSELING SERVICES					
5	Does the Applicant have a documented plan to oversee the grant and ensure that quality counseling is provided and accountability measures are implemented? If yes, do they indicate oversight and quality control activities that meet or exceed HUD's OHC requirements?				
Rating Factor 4: LEVERAGING					
6	Has the Applicant demonstrated the ability to obtain additional non-federal resources in the form of grants, fees, and in-kind contributions such as services, equipment, office space and labor during the grant period?				
Rating Factor 5: ACHIEVING RESULTS					
7	Does the Applicant use their client management system to evaluate their performance and measure whether the goals were achieved?				
BONUS: APPLICATION COMPLETENESS, AUTHORIZATION AND TIMELINESS					
8	Did the Applicant submit a complete, authorized application package timely?				

PRE-AWARD ASSESSMENT Score Matrix

Pre-Award Assessment Score Matrix		
Low Score	Medium Score	High Score
0 – 20 favorable responses	21 – 35 favorable responses	36 – 52 favorable responses
Score	Recommended Strategy	
Low	Application Denied. No award granted.	
Medium	Sub-award granted. Include special conditions in the written sub-grantee agreement, if necessary.	
High	Sub-award granted. No special conditions.	



RISK ASSESSMENT



RISK ASSESSMENT

Risk Factor Rating Considerations

Factor 1: Change in personnel

- ☐ Has impacted the sub-grantee's operations?
- ☐ Has affected accessibility of program and financial data?
- ☐ Whether policies and procedures are in place for accounting for federal funds, grant related reporting, etc.?

RISK ASSESSMENT

Risk Factor Rating Considerations

Factor 2: Prior Audit Findings

- ☐ Financial statement audit was done timely?
- ☐ Financial statement audit report was readily available for review?
- ☐ Audit findings related to federal grant awards?
- ☐ Prior questioned costs identified during the audit?
- ☐ Audit findings were resolved timely?

RISK ASSESSMENT

Risk Factor Rating Considerations

Factor 3: Timely Financial Report Submissions

- ☐ Quarterly financial reports submitted timely?
- ☐ If not, was an extension requested and granted?



RISK ASSESSMENT

Risk Factor Rating Considerations

Factor 4: Reporting Errors & Omissions

- ☐ Quarterly financial reports were done in conjunction with payment requests?
- ☐ Quarterly financial reports were complete, accurate and authorized?
- ☐ Sub-grantee has an established accounting system with effective internal controls and a system for cost-type or labor hours accounting?

RISK ASSESSMENT

Risk Factor Rating Considerations

Factor 5: Performance Review Findings

- ☐ Has sub-grantee received a Performance Review in the past 2 years?
- ☐ Any unresolved findings from most recent performance review?
- ☐ Corrective actions were timely and appropriately implemented?

RISK ASSESSMENT

Risk Factor Rating Considerations

Factor 6: Public Relations Findings

- ☐ Any mergers, acquisitions, bankruptcies, legal concerns or other factors exist that would impact the status of the agency?
- ☐ External factors that may affect the organization (industry conditions, etc.)?



RISK ASSESSMENT

Risk Factor Rating Considerations

Factor 7: New Sub-grantee

- ☐ Agency has been in the HUD OHC program for one fiscal year or less?
- ☐ Agency has proof it has attended any training provided by HUD or HUD contractors related to the HC grant?



RISK ASSESSMENT

Risk Factor Rating Table

INSTRUCTIONS

- Upon completion of the Risk Assessment Procedures (RAP) worksheet,
1. Complete the Risk Factor Rating table by typing YES or NO in the applicable column.
 2. Determine the YES SCORE TOTAL by adding the number of YES answers in the space provided
 3. Proceed to Recommended Monitoring Strategy worksheet.

RISK FACTOR RATING TABLE

Risk Factor	Risk Factor Number	YES	NO	Comments/Source Documents
Has there been a change in personnel in the past 12 months that negatively affect the HUD OHC grant program?	1			
Were there any unresolved or repeat prior audit findings?	2			
Were HUD financial reports submitted late?	3			
Were there any HUD financial reporting errors and/or omissions?	4			
Were there any Performance Review Findings?	5			
Are there any negative Public Relations Impacts?	6			
Is the grantee new to the HUD OHC Program?	7			
Totals		0		
YES SCORE TOTAL				0

RISK ASSESSMENT

Disposition & Recommended Strategy

INSTRUCTIONS

- Based on the Risk Factor Rating (tab 3), document the Risk Factor Score in the Risk Assessment Table in Section 1 below. Risk Factor Score Ranges are as follows:

Risk Factor Score Range		
Low Risk	Medium Risk	High Risk
0 - 2	3 - 4	5 - 7

- The Risk Factor Score should match the TOTAL YES SCORE on the Risk Factor Rating tab 3.
- The Risk Factor Score will prescribe the recommended strategy as follows:
 - Low Risk will result in a Desk Review
 - Medium Risk will result in an On-Site Parent Review
 - High Risk will result in a referral HUD OHC for a HUD Financial & Administrative Review. Contact your HUD point of contact directly to formally request this review.
- In Section 2, document the Recommended Strategy. This should be based on Reviewer judgment, as well as recommended strategy prescribed by the Risk Assessment Table. Document a detailed explanation as to why the strategy was chosen.

SECTION 1: RISK ASSESSMENT TABLE

Strategy Number	Strategy Description	Risk Factor Score		
		Low Risk	Medium Risk	High Risk
1	Desk Review			
2	Parent On-site Review			
3	HUD Financial & Admin Review			

SECTION 2: RECOMMENDED MONITORING STRATEGY

Recommended Strategy based on Score and Reviewer Judgment:	
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PARENT ON-SITE REVIEWS



PARENT ON-SITE REVIEWS

Parent On-Site Reviews

Key On-Site Review Test Areas

General:

- ☐ Formal written sub-grantee agreement on file.
- ☐ Updated agency profile in Housing Counseling System.
- ☐ Did sub-grantee subcontract any part of grant, and if so, was it approved?
- ☐ Did sub-grantee notify parent of personnel, contact information, business environment change within 15 days of change?

PARENT ON-SITE REVIEWS

Parent On-Site Reviews

Key On-Site Review Test Areas

Documented Policies & Procedures for key business process areas:

- ☐ Cash Receipts & Disbursements
- ☐ Timekeeping & Personnel Activity Reporting
- ☐ Cash Management
- ☐ Grant Reporting
- ☐ Procurement
- ☐ Indirect Costs
- ☐ Accounting System
- ☐ Billing

PARENT ON-SITE REVIEWS

Parent On-Site Reviews

Key On-Site Review Test Areas

Supporting Documentation for Expenses

- ☐ Maintain invoices, receipts, cancelled checks, personnel activity reports and client file number lists.
- ☐ Maintain invoices for marketing and outreach initiatives, printing, supplies, capacity building, equipment; retain receipts for travel and training.
- ☐ Maintain personnel activity reports (PARS) for all staff whose compensation is charged to grant. Must reflect actual activity, not estimates or proration. PARs must account for total activity for which employee is compensated.
- ☐ Transactions are requested and approved.

PARENT ON-SITE REVIEWS

Parent On-Site Reviews

Key On-Site Review Test Areas

Quarterly Program Reporting

- ☐ Form HUD 9902
- ☐ Client Management System (CMS) Individual Numbers
- ☐ CMS Group Numbers
- ☐ Did CMS reports support quarterly financial reports?
- ☐ Certification
- ☐ Narratives

PARENT ON-SITE REVIEWS

Parent On-Site Reviews

Key On-Site Review Test Areas

Quarterly Financial Reporting

- ☐ Timely submission of quarterly financial reports
- ☐ Budget to Quarterly Financial Report reconciliation
- ☐ Federal Financial Report, if applicable
- ☐ Summary of Actual Expenditures
- ☐ Summary of Staff Hours Worked
- ☐ Were quarterly reports cumulative and for the quarter?
- ☐ Authorization of Quarterly Financial Report
- ☐ Payment request done in conjunction with quarterly financial report.

PARENT ON-SITE REVIEWS

Parent On-Site Reviews

Key On-Site Review Test Areas

Leveraged Resources

- ☐ Did sub-grantee receive funding from lenders for counseling services?
- ☐ Was there a written agreement, contract or Memorandum of Understanding?

Program Income:

- ☐ Does sub-grantee charge fee for services?
- ☐ Does sub-grantee properly track and account for program income?

PARENT ON-SITE REVIEWS

Sample Work paper 1: OMB A-133 Submission

Site Visit: {Insert Sub-Grantee Name}

Sub-Grantee Number – {Insert Sub-Grant Number}

WP 1 OMB A-133 Submission

Purpose: To document Sub-grantee's OMB A-133 Submission.

Source: John Doe, Director of Housing Counseling

Scope: FY 2015|

Procedures:

1. Confirm whether or not sub-grantee exhausted over \$750,000 of federal funding.
 - a. If so, have they received an A-133 audit?
 - b. Did they submit to Clearinghouse timely?

Conclusion: Per documentation received from John Doe, Sub-Grantee has exhausted over \$750,000 of federal funding and has received an A-133 audit, which was submitted timely. There were no findings recorded. (See OMB A-133 Report)

Prepared by: {Insert Name of Preparer} {Insert Date}

PARENT ON-SITE REVIEWS

Sample Work paper 2: Audit Results Testing

Site Visit: {Insert Sub-Grantee Name}

Sub-Grantee Number – {Insert Sub-Grant Number}

WP 2 Audit Results Testing

Purpose: To document the results of the financial statement audit.

Source: John Doe, Director of Housing Counseling

Scope: FY 2015

Procedures:

1. Obtain most recent financial statement audit report.
2. Review for findings related to/or that may affect the HUD OHC grant program.
3. Record if the sub-grantee has corrected the finding or has established a corrective action plan to resolve the finding.
 - a. Obtain documentation to verify that corrective actions were taken timely.
 - b. If not, were unresolved findings reported within 30 days?

Conclusion: Per documentation received from John Doe, Sub-Grantee corrected findings noted during their most recent audit report.

Prepared by: {Insert Name of Preparer} {Insert Date}

PARENT ON-SITE REVIEWS

Sample Work paper 3: Budget Reconciliation

Site Visit: {Insert Sub-Grantee Name}

Sub-Grantee Number – {Insert Sub-Grant Number}

WP 3 Budget Reconciliation

Purpose: To document our reconciliation of **Sub-Grantee's** Budget and Financial Reports.

Source: John Doe, Director of Housing Counseling

Scope: FY 2015

Procedures:

1. Obtain FY15 Budget and Quarterly Report.
2. Review documents to determine if costs reported on Quarterly Report reconcile to pre-approved Budgetary line items.

Conclusion: Per review of documents provided by John Doe, Sub-Grantee there were no deviation between budgetary line items and actual costs incurred during the fiscal year. Appears reasonable.

Prepared by: {Insert Name of Preparer} {Insert Date}

PARENT ON-SITE REVIEWS

Sample Work paper 4: Quarterly Reporting Testing

Site Visit: {Insert Sub-Grantee Name}

Sub-Grantee Number — {Insert Sub-Grant Number}

WP 4 Quarterly Reporting Testing

Purpose: To test quarterly reports for accuracy and timely submission.

Source: John Doe, Director of Housing Counseling

Scope: FY 2015

Procedures:

1. Obtain quarterly financial reports submitted and review for:
 - a. Grantee's name, address and grant number.
 - b. Start and end dates of reporting period.
 - c. Each Counselor's staff hours, title and hourly rate.
 - d. Itemized accounting of actual costs.
 - e. Form HUD 9902.
 - f. CMS Individual Numbers.
 - g. CMS Group Numbers.
 - h. Federal Financial Report, if applicable.
 - i. Required Certification.
 - j. Final Report, if applicable.
 - k. Reports are cumulative to date, and for the quarter.
2. Was a draw down request made in conjunction with each quarterly report?
3. Review reports for accuracy, authorization and timeliness.

Conclusion: Per documentation received from John Doe, Sub-Grantee submitted complete quarterly reporting package. Please see table below and Quarterly Financial Reports.

Prepared by: {Insert Name of Preparer} {Insert Date}

Report Period Quarter	Documentation Complete?	Draw Down Request?	Accurately Prepared? (Y/N)	Approved? (Y/N)	Submission Date	Work paper Reference	Comments

PARENT ON-SITE REVIEWS

Sample Workpaper : Final Report

SAMPLE REVIEW REPORT

{Insert Parent Organization Name}
{Insert Sub-Grantee Name}
{Date of On-Site Review}

Summary

- Purpose of On-Site Review
- Review Approach

Background

- Background elements about the Sub-grantee

Summary of Findings

- Each finding must have the following elements:
 - *Condition:* Based on the facts determined by review, analysis and observations, what has happened, how significant is its occurrence and how can it be avoided in the future?
 - *Criteria:* What is the standard of measurement based on laws, regulations, policies and procedures and best practices?
 - *Cause:* Why did the condition occur or why was there a deviation from the criteria?
 - *Effect:* What is the impact? What were the consequences of the occurrence?
 - *Recommendation:* How do we solve the condition? The cause?

PARENT ON-SITE REVIEWS

Sample Workpaper : Final Report cont'd.

Corrective Action Plan

- Corrective Actions implemented by the Sub-grantee in order to address noted findings must:
 - Address the root cause of the finding
 - Be feasible
 - Be Cost Effective
 - Identify an Action Official

Corrective Action Plan Due Date

- Due Date Corrective Action Plan must be implemented by Sub-grantee

Conclusion

On-Site Review Completed By: _____ Date: _____

Sub-Grantee Personnel with whom discussed: _____ Date: _____

Why emphasize this?



FEEDBACK



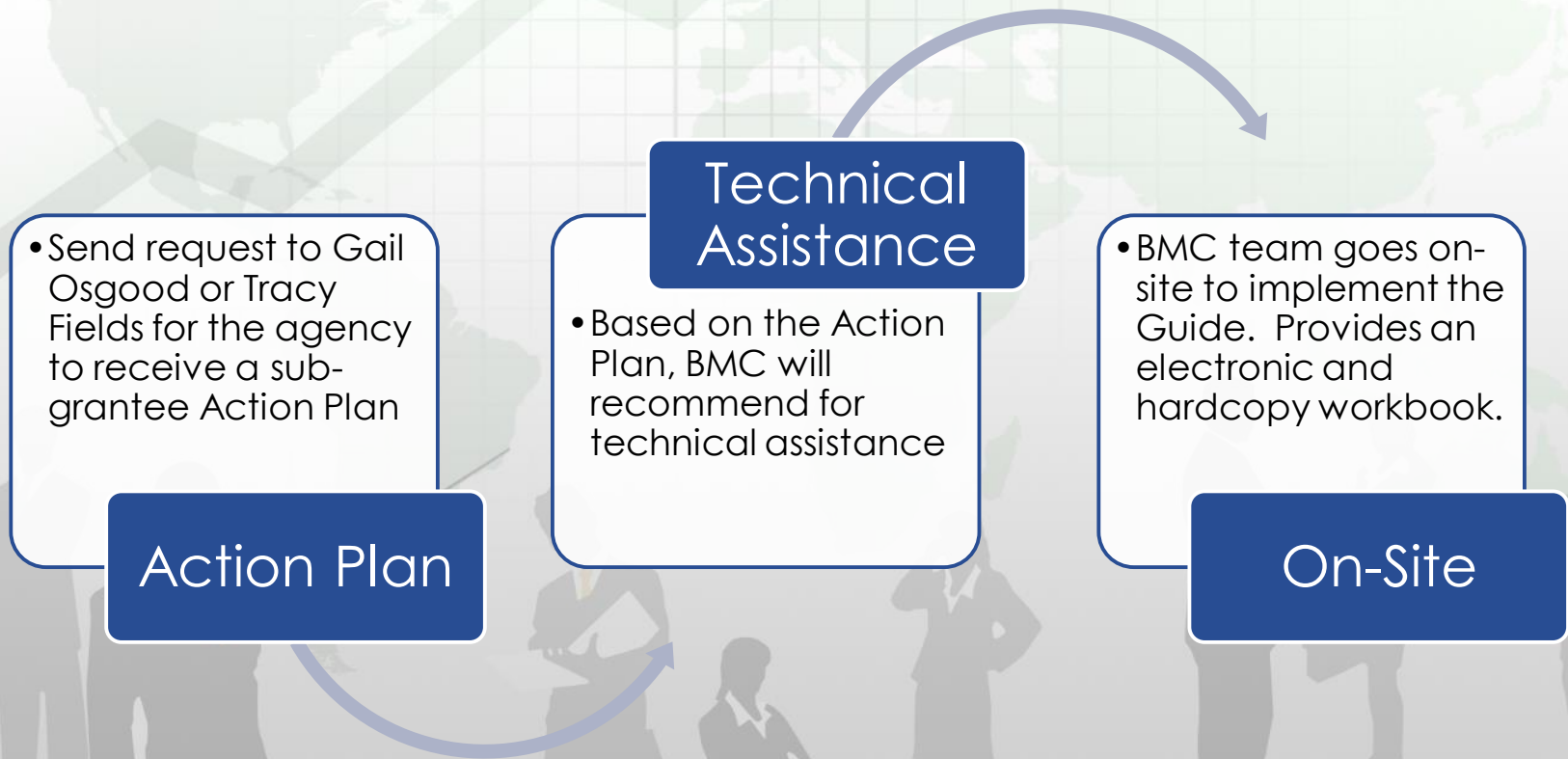
FEEDBACK

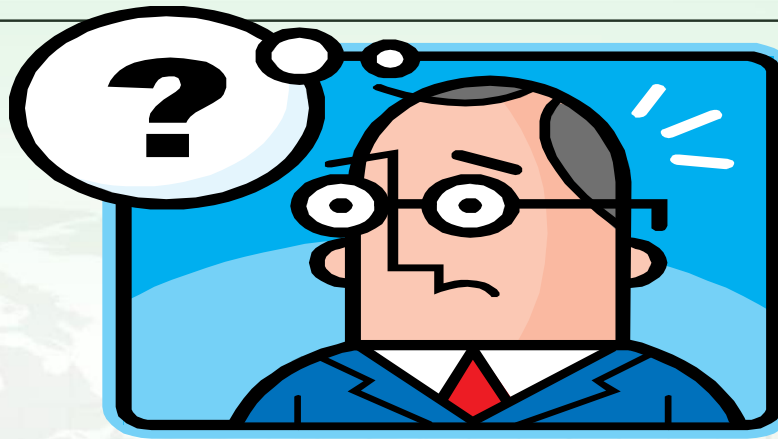
Grantees' Feedback

#	Grantee Name	Feedback
1	New York State Housing Finance Agency (NYSHFA)	Training was very helpful and NYSHFA now has a clear understanding the monitoring requirements of the grant. NYSHFA team will work together to incorporate the Toolkit in their sub-grantee selection and monitoring processes.
2	Virginia Housing Development Authority (VHDA)	Great Toolkit which will be used to enhance pre-award assessment and selection process currently in place. The Risk Assessment, Desk Review and On-site Review templates are especially helpful and will be used to document procedures performed going forward.
3	Maine State Housing Authority (MSHA)	Excellent Toolkit and templates which have already been implemented by MSHA.
4	National Community Reinvestment Coalition (NCRC)	Excellent Toolkit which will be implemented immediately to conduct FY16 pre-award and risk assessments, as well as FY15 desk and on-site reviews.
5	Home Free USA	Home Free believed they already perform a lot of sub-grantee monitoring but plans to incorporate the Toolkit with their current monitoring procedures. Although most staff members are not accountants, Home Free did not believe that the on-site review testing would not be to challenging to complete.
6	Kentucky Housing Corporation (KHC)	Great Toolkit which will increase awareness of high risk sub-grantees. KHC believes implementing the recommended processes wouldn't be too difficult to do but documenting the work papers may take some getting used to.

FEEDBACK

What is the Process for this Assistance?





Questions

Please forward any questions to

housing.counseling@hud.gov with
Sub-Grantee Award & Monitoring Guide
in Subject line