2019 Building HOME Webinar Series IV, Chapter 9

Shawna LaRue Moraille: Okay. Good afternoon, everyone. Appreciate you guys being here for the second week of Building HOME Webinar. Again, I'm Shawna LaRue Moraille and I am joined here by my colleague Les Warner and Nicole is supporting us. So we're going to talk this week about Chapter 9, which is general administrative and monitoring requirements.

So first things first. I know some of you work for participating jurisdictions or your work for subrecipients or maybe some nonprofits like Community Housing Development Organization or CHDOs. I'm going to talk mostly from the PJ perspective but I'm going to pepper in a couple things that are specific to you. So please don't think this section is not for you. There are many things to know about the HOME requirements that affect you as a partner.

So first off, we're going to talk about eligible administration and planning costs, and this is 10 percent of the PJ's annual allocation. And if you remember back last week, we had the slide that was the sheet cake and that sheet cake talked about, over to the right-hand side, this 10 percent for administration and also 10 percent of any program income or PI, and that's what the PJ receives on an annual basis to administer its program. So we'll go back to our other slide.

And there are two options for calculating administrative staff costs and every participating jurisdiction is a little bit different. And this is usually made by your finance department, so you have one of two options. You can say that this is Bob's job to cover the HOME program so we're going to cover all of Bob's salary and wages, things like that.

Or you could say, you know what, Bob spends about half of his time, maybe 50 percent on the HOME program. Maybe the other 50 percent he works on another federal program or has other duties. You basically choose one option per program year and that's what you do throughout that program year.

So that's 10 percent for administration. And what can you use those costs for. So there's many different costs that a typical time that a PJ spends, so just generally management monitoring; any type of coordination that might need to be done. Maybe there's a new rule that needs to be implemented that you're spending some time on.

Maybe it was the most recent HOME final rule, procedural documents, things like that. Marketing documents, all of those are general administration and planning costs, the costs to develop those. You might have some travel costs so it might be travel costs related to maybe you go to a HOME specific training or something like that.

If you're administering a tenant-based rental assistance program, or TBRA, those administrative costs are charged to your 10 percent administration. People call you up all the time on the phone, might ask for information about your programs, that's all called public information. I also know that many of you receive not just phone calls, but you might have email that might need to be answered, just generally like things like that that are covering the overall operation of your HOME program are covered.

So we have the analysis for Fair Housing and the analysis of impediments, so any type of Fair Housing planning or Fair Housing activities. Preparation of the consolidated plan, that was my favorite job when I worked in local government was to write that three- to five-year consolidated plan. And we also have, of course, our annual action plan that we do every single year and then the CAPER at the end of the year.

We might have some - or we will have some compliance with other federal requirements, so in general if there are things that need to be addressed related to cross cutting. You know several years ago we had the lead-safe housing rule that we had to be in compliance with, so making sure that we're up to date in terms of other federal or cross-cutting requirements, that's always an admin and planning costs.

And then, finally, we have indirect costs and it has to be part of some type of cost allocation plan. This is for your office space, for utilities, basically costs that are shared across federal grants, all of those are eligible admin and planning costs and you're only paying your fair share of those indirect costs. Now, some costs you have a choice.

They might be administrative costs, or you might decide you know what I'm going to charge them off as project costs. So there are a couple different options here. So a lot of these they relate to a project, so appraisals that might be done for like a homebuyer project. Work specifications for owner-occupied rehabilitation. Inspections, oversight, all of those things could be either type of costs.

You might be doing some underwriting related to homebuyers or an amortizing loan with homeowners. Or maybe you're underwriting a rental project. Any type of relocation, environmental reviews. You might be doing a relocation plan for a specific project. All of those things could either be admin or project costs. You might have housing counseling that is delivered; maybe it's for home ownership or something like that.

You might be doing some tenants counseling, those can be either administrative or they could be project costs. And then finally, if there is anything related to unit inspections, basically subsidy administration or just earning income in tenant-based rental assistance, those could be either admin or project costs. And the last one on TBRA was clarified in the HOME final rule that came out.

So there are a couple implications for this. If costs are tracked to a project, it's going to count against that maximum per unit subsidy limit that we talked about last week, which is based upon HUD's project, the 234 program for nonprofit elevator units. It also is going to trigger your match requirement. And so I know we haven't talked that much about match, but for every one dollar of HOME funds, you have to match that.

One thing that kind of bites people a little bit is that if you have an activity that you're starting out, maybe you're working with Mrs. Jones and Mrs. Jones is applying for owner-occupied rehabilitation funds and you've done her income eligibility, you've done the inspection, things like that and guess what, Mrs. Jones changes her mind and she does not want to participate in your program. Maybe she doesn't like your loan terms, maybe there's some other reason why she does not want to participate. So if the project does not move forward, then you have to back it out and it has to be charged against your 10 percent admin.

And admin costs, and remember I showed you the sheet cake, are either costs for the PJ or for a subrecipient and it has to meet that definition of subrecipient. Again, they administer the program on your behalf, follow all the HOME rules. Those folks can charge to admin. Property owners have to be project costs. Okay. If they incur the costs, it's up to the property owner.

Okay, so those are admin planning costs. I want to talk just a couple minutes about the consolidated plan. Again, I was lucky enough to work on the consolidated plan when I worked in local government. So all your HOME activities that you administer, and you might be doing all four types of HOME activities; rental, homebuyer, owner-occupied rehabilitation, tenant-based rental assistance, all of those have to be tried back to the needs in your consolidated plan and the strategies that you have in your consolidated plan. And there are typically two components.

So the consolidated portion is what is considered where those needs and strategies are. That is a three- to five-year plan. Most people do five-year plans out there. And then every single year you have an annual action plan that are specific projects and activities that you're planning to undertake.

And this consolidated plan covers HOME, CDBG, which is a community development block grant program, emergency solutions grant, or ESG; housing opportunities for persons with AIDS or HOPWA and then the housing trust fund or HCF if you happen to be a state PJ. So your consolidated plan kind of covers several different programs in terms of these needs and strategies.

So it used to be, and when I worked in local government, it was a big document that was hand bound and we sent it out to all of our libraries and did a lot of public hearings, things like that. You still have things like public hearings and what not but today we have a lot more resources on the HUD Exchange.

There's a lot of online tools that can help you, including some templates that you can use because everything related to a consolidated plan is required to be in IDIS, which is the integrated disbursement and information system. And that system is where you're going to put your consolidated plans, your action plan and at the end of the year you're going to report through your consolidated annual performance and evaluation report, or the CAPER.

There's also a lot of links to CPD maps that you can use. You can also upload your own files and then there are numerous data sets that can help you with the needs that you have for your consolidated plan. Those are just a couple things on the consolidated plan. We'll talk a little bit more later in the presentation about a couple of those items in terms of monitoring and whatnot.

So we also have this other requirement which sometimes we talk about this in terms of cross cutting and these are called uniform administrative requirements. Some people call them financial management requirements, some people call them uniform guidance. So basically this is the Office of Management and Budget; this is our financial requirements for all of our awards.

And so it is a requirement for the PJ, subrecipient, any of the partners that they have like nonprofits, etcetera, they are now, instead of separate circulars like they were for a long, long time, they are now found in 2 CFR Part 200.

There is a memo that you can take a look at that we provide a link to that just basically helps you with this transition from the prior circulars to 2 CFR Part 200. There hasn't been any additional guidance that stood out there, but that's the best place for you to take a look.

And as far as we're concerned, it's a good day to be involved in federal programs, there's a lot more streamlining done in terms of the requirements that you see there with eligible costs, how to allocate costs, things like that. A lot of people ask Les and I where is it that it says that I can't provide a swimming pool and other things. A lot of things are in the eligible cost section of Part 200. So take a look at that.

So that was our one slide on uniform administrative guidance. Les, is there anything that you wanted to add to that particular slide? This is like Les' like one of the topics that he's an expert in. Anything I missed?

Les Warner: No, I think for the time we have that's probably pretty good.

Shawna LaRue Moraille: Okay, great. So we have two slides here related to policies and procedures and this is something that we've had a lot of questions over the years related to what is required. So we have to have the following required policies and procedures, so this is like, what is your policy related to how underwriting is going to occur in your jurisdiction. And what's your process for subsidy layering. What tools are you going to use? That type of thing.

Resale and recapture, we haven't talked about that yet, those are two options that you have in the homebuyer activity for HOME. You have to define when you're going to use resale and when you're going to find when you're going to use recapture. This also has to be in your consolidated plan as well. Some of you just choose to do recapture, so it might just be one of those, not both of those.

You do have to have written rehabilitation standards. We mentioned that last week, where you've got some code requirements that you have to meet. And then you have to have something that describes what your standards are for rehabilitation; so, what are your methods, what are materials, installation instructions, things like that.

You have to have a policy and procedure around monitoring and how you're assessing risk within your portfolio. We have a whole separate section on monitoring, which I'll cover in a little bit. How you're going to conduct property inspections for your jurisdiction, again to make sure that it meets your property standard and your written rehabilitation requirement.

You have to identify and define what your income eligibility definition is. Are you using the Part 5 definition, which is Section 8 or are you using the 1040 definition through the IRS? You have to decide which definition and then also what are your procedures around that definition. What are you going to collect in terms of documentation, what forms you're going to use, all that type of thing.

You do have to affirmatively market your HOME activities, make sure those are least likely to apply. So what are your affirmative marketing policies? And then if you are able - or I'm sorry, it's up to you to decide on a property by property basis, for example for rental housing whether or not they have - what the format is for their plan because these properties need to have a plan related to that.

In terms of minority- and women-owned businesses, or MBEWBE - "mibby-wibby" is another way that we say that. So how are you engaging minority business, enterprises and women business enterprises in your activities. Some of you have your own kind of state and local targets related to that, so keep those in mind.

But you should have these policies in place for your HOME program. There's a couple other policies that require, basically if you have a HOME project or anything else sort of triggers it. And you're also going to be leaning heavily on state and local requirements, so things like relocation; when relocation is triggered and what you're doing to mitigate it. And what's your policy around that. All sorts of procurement requirements are largely state and local requirements, although there are some federal thresholds as well.

Conflicts of interest and how you're going to handle conflicts of interest or the perception of conflicts of interest, your process for advertising, getting a legal opinion, all those things. Travel requirements. How you're financially managing your grants. Again, there are federal requirements that typically folks have state or local requirements as well. And then a drug-free workplace is something that you say is part of your app- - you get your formula allocation but you still have a form called the FS424 where you're signing off that you definitely will have a drug-free workplace.

Written agreements. So just a couple things about written agreements in the HOME program. So some of you may call this a contract but it is a written agreement between the PJ and basically another entity. And it's going to cover everything that needs to happen related to an activity or a project or a program. So there is a whole set of HOME requirements that are within the regulations that have to be provided if you're a subrecipient or if you're a community housing development organization.

So those specific HOME requirements based upon type of entity, based upon type of activity and then in addition to that you'll have what roles and responsibilities are involved with the role of the PJ, with the role of the partner, which might again be a subrecipient, developer, etcetera, and then make sure that you've got a good mechanism for enforcement.

And the written agreement is not just a piece of paper that you sign. This is something that protects your HOME investment and so you need to have really good provisions there that protect you, the PJ, to make sure that the project succeeds through the development process all the way through the period of affordability.

And it is a requirement that you must have an executed written agreement before you commit any HOME funds in IDIS. There is a certification when you set up the activity and fund the activity that you have that written agreement in place.

So we mentioned that the requirements vary by type of entity. We talked about it in terms of the type of organization. But these are the typical things that usually are provided, different sections of the written agreement. So what are the use of funds? How are the HOME funds going to be used for? Is it rental, is home buyer, how many units? Basically, like what are the funds are to be used for? There's a number of agreements I've seen over the years that I have no idea what the activity is. So we need to know enough about the activity and those use of funds.

Have to make sure that it talks about like are there any type of fees that may be charged. For example, so if it's a home buyer activity, it might be a housing counseling fee is eligible and allowed to be charged. Need to have a really good section on just income that's essentially earned on the activity or the project. Any income that's earned, how is it handled. Is it considered program income? Is it considered CHDO proceeds and then what happens with repayment of funds or if it's a homebuyer activity that's recapture, recapture funds.

So subrecipients, they can have their own policies and procedures themselves that you simply affirm or attach to your written agreement or you might provide your policies and procedures for that subrecipient to follow. We've seen many different requirements. And then if it's a subrecipient activity, you got to have those uniform administrative requirements that need to be followed. Okay, that was written agreements quickly.

Conflict of interests. So in terms of conflict of interests, this is something to be aware that it's in the Part 200 requirements, as well as - and this is a little bit different than I've seen in federal regulations - that HOME has its own particular requirements related to conflicts. And in the HOME regulations, it's covered for any PJ employee, officers, agents, their immediate family, any state recipients or subrecipients all fall into this in terms of making sure that there are protections in place.

And so for employees, officers, things like that, making sure that something is not a conflict where there's some undue influence that might be had related to preferential treatment or doing something differently with like, you know we've seen it with construction contracts, we've seen it with those that maybe are first on a waiting list because they heard the waiting list was open and it wasn't like a public way that was demonstrated. There's all sorts of different types of conflicts of interest. So take a look at those and then usually localities have their own.

And then, in addition in the HOME regulations, owners, developers, and sponsors of your project including their immediate family, okay, talks about the fact that they can't have a conflict of interest. So if somebody works for a CHDO and their son is living in a rental housing project, that's going to be something that looks like a conflict, could be a conflict, it might need to be disclosed, etcetera. So just kind of keep that in mind.

This last bullet about the rules about related entities, so I worked for a software developer, I mentioned that last week, I worked for the development arm, they also had identities of interest in a management company, construction company, etcetera. Basically, this last bullet talks about like that's totally fine, there's a lot of these full service development companies out there but you just have to make sure the costs are reasonable if they sort of come as a full package of developer, construction, management, all of those things.

Religious organizations. So you can fund religious organizations. Some of your best partners out there have religious ties, Catholic charities comes to mind, others have a tax-free [inaudible] also has like a religious foundation. So you would just be looking at them as you would any other partner and you need to look at the role that they're taking on as well.

And they can come in and make an application for homebuyer construction, for example, or a rental project but you need to make sure that how they're delivering the activity, it's fair, it's open to everyone, it's secular, basically secular housing. So I'm Episcopalian, so if I worked for an organization where it looked like we were just providing affordable housing to ex-Episcopalian priest, that would be something where that would not be okay. Okay? It has to be open to everyone secular as well.

A lot of people ask us about can religious activities be offered in a project. Certainly, that's fine but it can't be that they're required, that you have to go to a prayer service in order to live in X, Y, Z housing, that would not be appropriate. There is an old notice; I think it's O4-10. I think we talked about the CPD notices last week. So O4-10 really talks the ins and outs of HOME and CDG related to religious organizations, so check it out.

So I mentioned before about the econ plan suite and these templates in IDIS. Here's our slide on IDIS. So some of you are lucky enough to work in the IDIS system. And so this system is where the PJ does all of its activity setup, funding, drawing and completion. It's their way of telling HUD what they're doing with their activities and that they're in compliance with those activities. So it's reporting as well as where all the draws are happening through the IDIS system. So I mentioned these basics, they're different components here. The one thing I didn't mention was the consolidated plan, the annual action plan is basically how you start and then the four common activities underneath.

Program income. So I mentioned before about the 10 percent for admin can include program income, 10 percent program income. Program income is the gross income that's earned by the PJ, state recipient or subrecipient. And so program income is earned on HOME activity, so it might be like a loan that's provided to a project or to owner-occupied rehabilitation. It's those loan repayments, for example.

Some of you have, and Les talked about this last week, are those - actually I think this is during our office hours - HOME match eligible units. So if you have any type of like HOME match eligible activities that also generates program income, that income would be considered program income. Or if you've got a matching contribution that has to be paid back to you, that would also be considered program income.

So all of these funds that are generated, okay, need to be handled appropriately and have to follow all the HOME requirements. And it could be activities where loan repayments come in well after the period of affordability. And if we go back to our cheat sheets, if I can do that real fast, our sheet cake. So for our sheet cake, everything here that we talked about before that generates program income is typically anything that's in this box, okay, in the middle of your program. So any income that's earned there. CHDO's earn CHDO proceeds, which Les will talk about later in this particular segment unless it's paid back to you as the PJ.

All right. So can I remember where I was in the presentation. Aww, very close. Okay. All right. So I mentioned CHDO proceeds. So these are CHDO activities that earn income. Les will talk about that in a little bit. If you have a homebuyer program and you're using the recapture provision, it may come back into you in terms of what may look like a loan payment or something like that. You treat it just like program income if you happen to receive recapture funds when a unit is no longer in its period of affordability except for you just don't take the 10 percent for admin and there's actually a separate reseeding that can be done for capture funds these days.

Repaid funds. So if there happens to be a repayment, it's because something did not live through its period of affordability, like a rental housing project or somebody - a partner did something that was ineligible and you ask them to pay you back for an ineligible cost. All of those are considered repayments and there's a separate process to return that money to the federal treasury.

Some of you might have application or monitoring fees, we talked about that last week. Basically, this is just an offset of your admin in terms of an applicable credit. And then any funds, this is pretty key down here, any funds that are returned to an entity that's not the PJ, state recipient, or a subrecipient, okay, so funds provided to a rental project owner or funds returned to a PJ and you - or sorry, a CHDO and you let the CHDO keep the money, all of those are not program income. Okay.

So income that's earned it has to be received by the PJ. Okay. And it's handled through a receipt that's done in a couple different places. You receipt it in your local HOME trust account in your own PJ local finances. You can take 10 percent for admin, that's okay. And then you also have to receipt it in IDIS, okay, and so those receipts need to come in when you're planning to use the funds.

So there's also program income admin as well, that is a separate receipting piece in IDIS. In your written agreement with your state recipients and subrecipients, and I would also even say CHDOs, you decide whether or not they're going to keep any income that's earned in that written agreement. If it's returned to you, it's program income, but you can allow them to keep it, you just have to have a mechanism for them to report to you what program income is earned. And then you have to use the program income according to all the HOME requirements and rules.

So that interim commitment rule came out in January of 2017 and basically it talks about the fact that we used to say for years and years and years, let me take a step back. That you had to receipt program income immediately and you had to use it immediately. So what happened with the commitment rule is that it allows you to basically like group it in your next annual action plan and use it. So you're going to accrue it and receipt it and use it with next year's action plan, for example.

So it might be right now that you're gearing up toward the fall, you're going to do a lot of - you're getting a lot of loan repayments, things like that, maybe your January 1 grantee. What this says is, you're still going to have it locally, and you're going to have it in your local HOME trust account, you're just not going to receipt it in IDIS until you're ready for the next fiscal year for FY 2020, for example.

And so in January or close to January you're going to receipt and then you're going to plan for that in your annual action plan, that you're going to use this program income next year. So you don't have receipt it right away but you got to have a plan for it and use it soon and you need to make sure that you are - and sorry, you don't have to use program income first before treasury account. So that was a rule for a long time. So that's no longer the case. With your next action plan, you do need to include it, like I said, and then what I didn't say already is to commit it first, that would be really important.

Okay. So whew, made it to 1:30. So let's go ahead and do a quick quiz on program income, if Nicole is ready. So which of the following is not a source of program income? And we're looking for the word not. So A, principal and interest loan payments received by a subrecipient. Cash flow in a rental housing project received by a developer. C, proceeds from the sale of a rental housing project after the period of affordability is over and is received by the PJ. Or home matching funds returned to the PJ. What's the correct answer here? So we'll just give you a couple minutes.

Nicole: The poll will be closing in 15 seconds.

Shawna LaRue Moraille: It's a good way for you to check to make sure I covered everything. Okay. All right. So we actually have almost like a tie. So a bunch of you said cash flow in a rental housing project received by a developer and then a bunch of you also said HOME matching funds returned to the PJ. So those of you that chose B, that is the correct answer because any time that it is income earned by a private owner, in this case we have a developer, that is not program income. Okay. So any type of cash flow that just happens to come in to that rental housing project received by the developer is not program income.

The reason why D is not correct is because if HOME matching funds are returned to the PJ, might be rare, but any time HOME funds are received by the PJ, that's considered program income. So that's the same, A, is program income. B is not program income. C is program income and D is also program income.

I think the only thing to mention here is that maybe some of you have cash flow loans, maybe there's some developers out there. If the PJ received that cash flow, the way to make D correct - sorry, B, correct, I apologize, B, is if this said PJ instead of developer. So if it said the PJ received some cash flow. So in that case it's not the PJ here, it's the developer that's why it's not program income. Anyway, hopefully that's clear. If not, I'm sure you will chat with us.

Pre-award costs. I have pre-award costs and then we'll skip on to monitoring. And maybe I'll ask Les if you have any in the cue after I cover pre-award costs. So in terms of pre-award costs, some of you do this, some of you don't do this. But some smaller PJs find this beneficial because sometimes they need to expend HOME dollars before receiving their HOME allocation. So you can receive HOME - you can, sorry, you can incur costs prior to receiving your HOME grant and you can do that either at the beginning of the program year or whenever your consolidated plan or action plan is received by HUD, like whichever is later. And you can do this up to 25 percent of your grant amount is totally fine. I know a lot of city and county councils do not allow pre-award costs. Some state laws don't allow you to either, but it is an option to you.

Okay. Before I jump into monitoring, Les, is there anything you want to clarify or anything that came in terms of questions?

Les: No, we've really had very few questions here. The only thing I would just reiterate, you mentioned that the PJ could allow a subrecipient to keep program income at the local level as opposed to sending it back. And as you mentioned, you would need systems to be able to track that.

So typically folks would be saying, as the subrecipient's drawing money they'd also be reporting about that program income that had been earned there. And you might, as the PJ, be saying to that subrecipient, I want you to expend that program income first before drawing down additional money, but you'd need systems in place to be able to track that.

And of course, the concern always is that because the program income maintains its federal identity, that means all of these other federal rules, environmental review, relocation, all of that, apply. So if we have a subrecipient that is retaining program income and maybe using it for new projects, we need to make sure that they are doing all the same steps on reviewing to make sure it's HOME eligible, but also implementing all these other federal requirements much like they would do on any other project that you might have funded them directly.

Shawna LaRue Moraille: Thanks, that's really helpful. And I did not mention sort of the other federal requirements in addition to HOME, so I'm glad that you mentioned that related to program income. So thanks, appreciate that. Okay, great. We're going to roll into monitoring because that's the rest of this half hour and I guess I have about 20 minutes here.

So in terms of monitoring, so hopefully it's no surprise to you that you have monitoring responsibilities as part of being a recipient of federal funds. So monitoring is required in the HOME regulations in 92.504, there's a whole section on monitoring. And the goal of monitoring is to really protect your HOME investment. And we're going to talk about a couple levels, things like that.

So think about this as broadly you doing self-monitoring within your PJ, or if you're a subrecipient, within your subrecipient organization, as well as external monitoring that you might be doing where you're watching program partners; you're going out and looking at beneficiary files; you're doing inspections like for a rental housing project, all of those things would be considered monitoring. It really has a pretty broad reach here.

So what is monitoring foster? So we're really looking at HOME is a production program. And Les mentioned that, I think the first week, that you need to produce. And you need to have good efficiencies in place, good quality housing, and need to look at what you're producing and make sure that you're holding everyone that you're working with accountable for timelines and targets and things like that. And that's going to be good written agreements and good follow-up. You obviously have to check that you're in compliance with all the HOME requirements and those cross-cutting requirements, as well as maybe those that you have on a state or local basis.

There are a lot of PJs out there that have numerous requirements in addition to what's required by HOME. We're really looking at is this is a formula block grant program. This is based upon the needs of low-income people in your community.

And so you need to be able to have a mechanism for saying that you've addressed those needs and that you're being responsive. And again, we talked earlier in my presentation about the consolidated plan, well there's strategies in that consolidated plan to help address those needs so how are you doing related to that. You said you'd serve a certain number of people, are you serving that number? Are you exceeding that or if you're falling short, basically what's the difference there?

Making sure that resources are used effectively. I mean these are precious federal dollars so making sure that everything is efficient and effective and they're getting to the people that need these funds, either individually for owner occupied rehabilitation or to purchase a home, or maybe those that are tenants that need tenant-based rental assistance, or maybe those that have rental housing needs and you're providing them with affordable units. And then finally you're also looking at organizational performance.

And we would remind you, so as Les and I have monitored many programs and activities over the years, is that not just monitoring to say I got you, that oh you did something wrong. Hopefully your monitoring is about looking at the organizations that you're working with, who often are mission driving organizations and looking at what are some good performance indicators, such as excellent customer service; efficient application intake process. There's many good things to recognize about an organization as you monitor them outside of the federal rules.

So who gets monitored? So if I was in a room and I was teaching you, I always ask like who's not on this list. Because the PJ gets monitored. Who monitors the PJ? HUD. The office of inspector general within HUD. CHDO's subrecipients, developers' contractors, those are all monitored by the PJ, but also could be monitored directly by HUD in the IG as well. So there's a lot of people on this list and again self-monitoring as a PJ is really important to make sure that your files are ready for auditing purposes and what not.

So as a PJ, okay, or if you're a subrecipient administering a program, you have to look at what are potential risks in my portfolio and what am I going to focus on for monitoring sort of first, second or third. And those of you that work for nonprofits, it's just CHDO's, it's always good to know that there is a process in mind, like it's not just that you're getting a visit every single year, every couple years from your PJ.

It's good for you to know that there's a process that's involved where they look at what are my risk factors. If you as a CHDO have had executive director changes or a board change or even staff changes, maybe the program manager for your CHDO activity, maybe that's changed. Things like that elevate you or should elevate you in terms of risk factors.

But the PJ comes up with what are my risk factors, assigning weights typically and then they might be providing like a scoring criteria, things like that. We see this as some organizations do this very formal and it is a longer, very robust process. Others just can take a look at all their partners and just kind of make their list from a priority standpoint, first, second, third, etcetera. So just know that if you're not the PJ, there is risk factors and things going on in terms of the monitoring strategy. And if you are the monitoring agent for the PJ, those are some things to keep in mind.

So you as the PJ or subrecipients as well, you should have a monitoring plan in place. You have to report on your monitoring plan, your annual action plan and then at the end of the year on your CAPER. And so you should have procedures. As I mentioned before these are part of your required procedures. In the procedures you would also have what are some forms that I'm using. What are some things that are like my tools in my tool box.

So some typical things that we see are what are letters or maybe it's email communication with your partners about how you're planning to monitor for that particular year. So the plan, I'm going to give you 30 days' notice. We plan to come out. This is the type of thing we're going to look for in terms of your beneficiary files, your inspections. We're going to be doing inspections. This is what we're going to be looking for, things like that. Checklists are typically a part of the procedures as well. So these are filed checklists so that they can be used onsite. Some PJs provide those to their partners and say, this is what I'm planning to review.

Job descriptions about like who's doing what for the roles and responsibilities, all those would be really important. I also as somebody who pays attention a lot to income eligibility, even your monitoring should cover how income should be tested when you're looking at beneficiary files, for example. And then do you have to come up with your plan, you have to have a schedule and typically your risks analysis plays into that.

So levels of monitoring. So I mentioned there was somebody missing on the list and that was HUD, HUD monitors PJs. So in terms of HUD's review of PJs, they do an annual review and then it could be offsite, it could be onsite; it's really going to depend on their own risk factors. And they publish a notice typically every year about HUD's risk factors that they're using for CPD programs.

So if the PJ is going onsite, usually they have a couple different sections in terms of the report about some general observations. And then they're going to drill down into things that may be a concern, which might be not quite a regulatory or statutory violation, but it could be something that may concern them that could rise to something like that in the future. And then findings are based upon regulatory or statutory violations that they're seeing.

And then for each of those, there's typically a corrective action where it says, okay, you, the PJ, you need to develop procedures related to underwriting because that was something that was missing when we reviewed your files, something like that. And then you would provide as a corrective action, you would send in your underwriting procedures, things like that.

So this is a dialogue between you and your HUD rep if you're the PJ. And then basically if problems are not resolved, then further action is taken. And this just mentions sanctions. The HOME program has a couple of different enforcements and sanctions within the regulation that HUD might do such as freezing your grant, not allowing you to do future draws, things like that.

So PJs and state recipients, subrecipients and others you should be taking a look internally at your own program administration. You're going to be testing what you're going to be doing against the consolidated plan, make sure it's consistent. You're checking to make sure that everything you're doing. I mentioned you might do all four activities or maybe do just three of those activities. You need to make sure that you're not doing something like tenant-based rental assistance that you didn't have in your consolidated plan. You need to make sure that you're looking at that.

How you're committing and expending funds would be really helpful. So a lot of PJs run specific IDIS reports such as the PR27 is a good one. Take a look at all of your HOME grants and make sure that you're in compliance.

You have your match log. Les mentioned last week we have a match, and this again was in office hours. Match log and then back-up documentation, you're going to be looking at that and should be looking at that periodically.

And then just generally looking at your procedures and how you're running your activities and making sure that those are in compliance with the HOME rules. And then PJs are required to monitor their subrecipients and state recipients if you're a state PJ on an annual basis. And again, that may be a desk monitoring, it may be onsite, any and all of the above might occur.

So we typically talk about project monitoring separate from beneficiary monitoring. So project monitoring or program monitoring would be looking at the program or the project itself. So it might be looking at if it's a rental project, like affirmative marketing that's done. It might be the wait list and how that's maintained. It might be looking at the property maintenance files. You know basically like a broad brush of that particular project.

And then separately looking at, okay, let's look at individual files for beneficiaries and that would mean looking at income eligibility, making sure the right rent was being charged, looking at leases. So there's a couple of things that are done in terms of monitoring. And they may be done by the same people, they might be done by different people, it depends upon how things are administered for that PJ. So that was monitoring.

And then this slide on records. So there is so many different types of records that need to be kept for you, the PJ. I can't believe I can't come up with a reg citation, Les Warner. It used to be so at the tip of my - anyway, I will get the reg citation and share it in the next section. But recordkeeping is really important.

So you've got program records that need to be kept related to obviously your planning documents, your procedural document. I gave you a couple examples of project documents, but what I didn't mention are things like the written agreement, the deed restriction, if it happens to be a rental project or something else. You know things that are related to that project. And then you may have beneficiary files. You may allow the project owner to keep the beneficiary files, everything is different depending upon where we go.

For CHDOs, you're going to have files related to your certification, which Les will talk about in the next section, but you have to certify CHDOs each time you fund them. So you're going to have files related to that. Your financial or grant management documents, you're also going to have as part of your program files. How you administer your grant, I mentioned procedures before, but it might be how you're doing environmental reviews and checklists and things like that.

Other other federal might be your analysis of impediment. It might be your compliance with lead-base housing rule or Davis-Bacon, all of those things. So the general rule is that for any type of beneficiary or something with a tenant, is kept for an initial five-year period. And those that relate to like the project origination, overall program, legal documents, those are kept for at least five years after the period of affordability.

I mentioned the CAPER before, but we have the consolidated plans and then each year - we talked about the annual action plan. And the bookend to the annual action plan is that at the beginning of your program year you said that you were going to do a certain number of activities, you're going to serve a certain number of people, and then at the end of the year, you do your CAPER, which is due 90 days after the end of your program year.

And that is where you're going to report on the actual number of people that are served, any issues that you might have run into related to those activities, things like that. So and hopefully all your wonderful accomplishments. It is submitted on an annual basis. As far as I know, it's through IDIS these days but you may also be required to submit something via email to your rep such as a specific IDIS report, that type of thing.

Okay. What do we have in the queue, Mr. Warner? Would you like to give a break first? What's your choice? Maybe you're on mute. Okay. All right.

Les Warner: No, sorry. Yes, I was on mute. I think we should go ahead and take a break.

Shawna LaRue Moraille: Okay.

Les Warner: There's nothing in the cue that I think we're going to answer in this format. And so I think we can take a break and then start back up and go into the CHDO requirements.

Shawna LaRue Moraille: Okay, so we'll start --

Les Warner: So I have that it's --

Shawna LaRue Moraille: - at 2:05?

Les Warner: Perfect.

Shawna LaRue Moraille: Okay. Great. Have a great break, everyone. Thanks.