Monitoring

Assessing the Performance of Your Subrecipients and Other Partners

CDBG — CARES Act

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING & DEVELOPMENT

Introductions

Your Presenters for This Session:

Track A:

Duncan Yetman, Entitlement Communities Division,
Office of Block Grant Assistance, CPD, HUD

Track B:

Rob Sronce, The Cloudburst Group

Laura Detert, The Cloudburst Group

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- Participants will be in 'listen only' mode

- Closed captions can viewed using the "Show Captions" feature (below the video player)

- Consult the Attendee Guide for more information (available on the "Resources" page of the event website)

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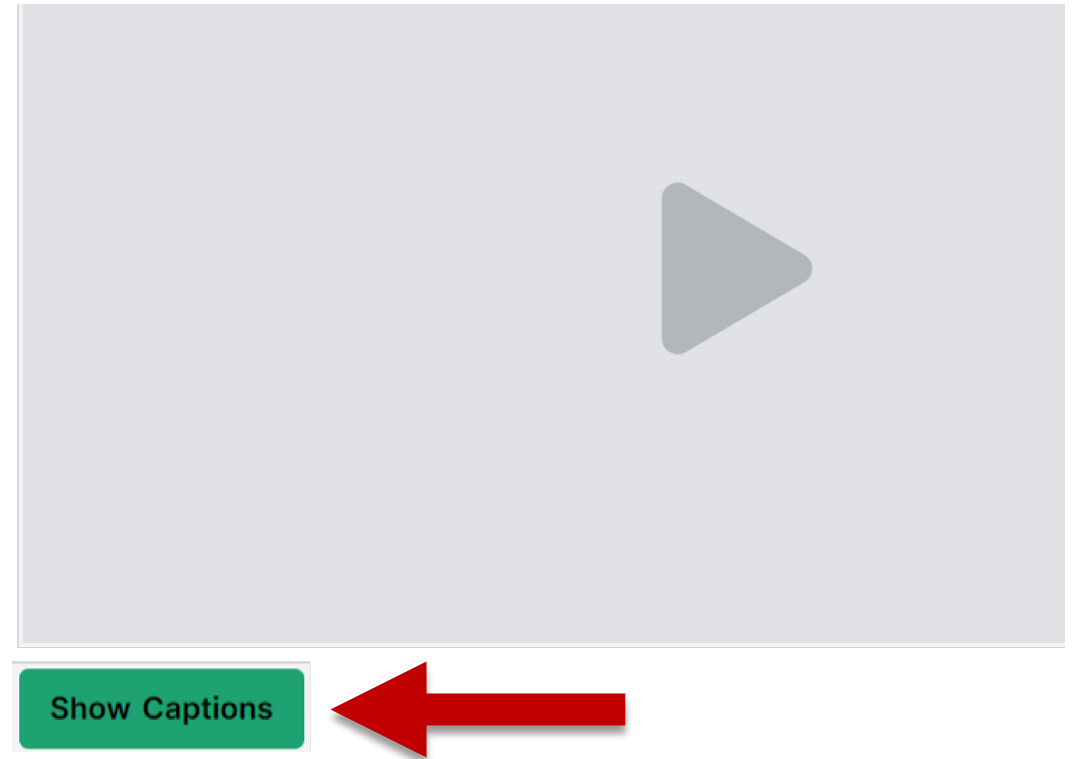
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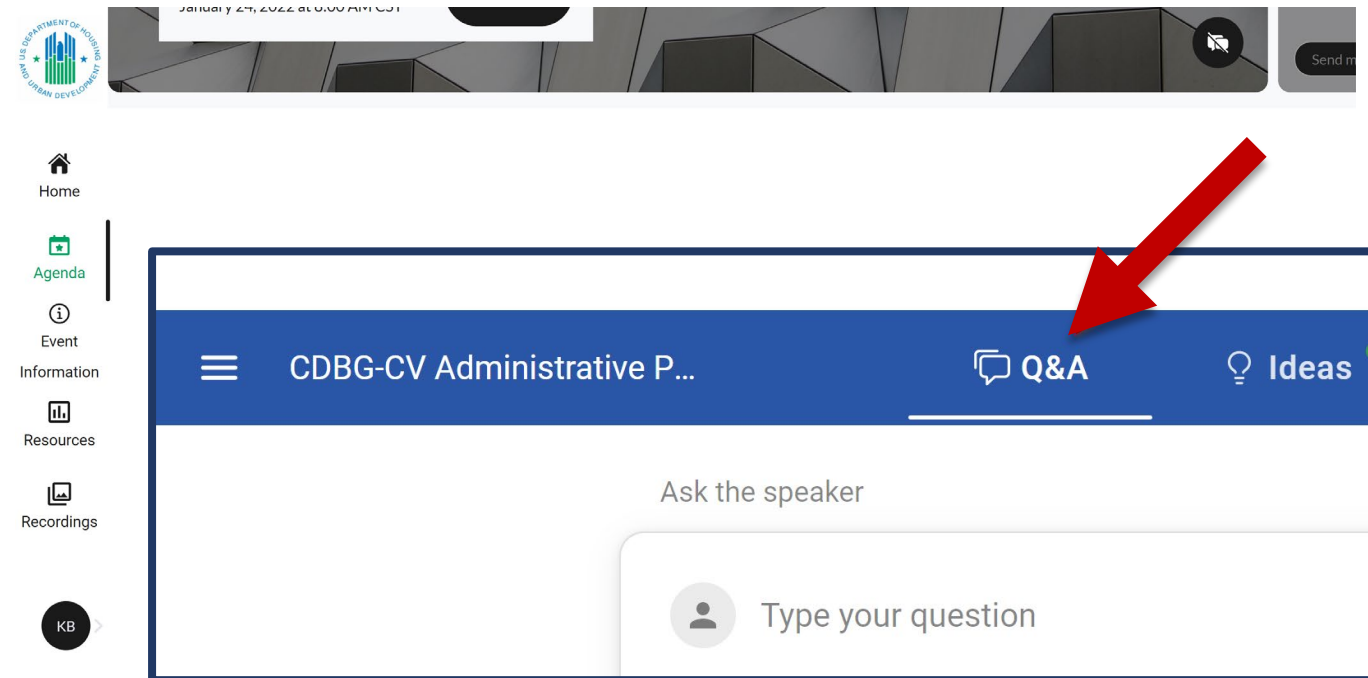
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- Answer poll questions using the "Polls" tab (located below the video player). We will be using poll questions to "discuss" the scenario at the end of the session.

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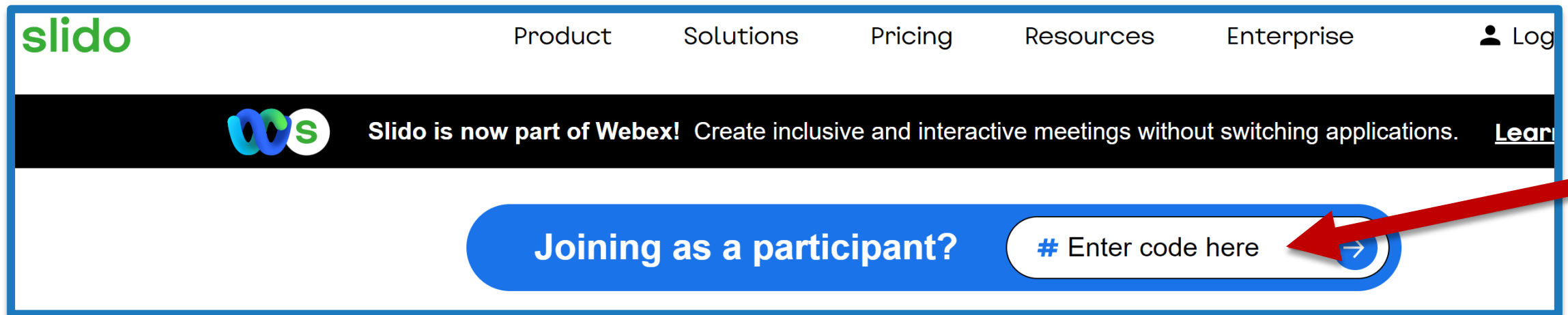
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What is monitoring?

Monitoring is:

- An <u>ongoing process</u> that assesses the quality of a grantee's performance over a period of time.

Monitoring provides:

- Information about program participants that is critical for making informed judgments about <u>program effectiveness and management efficiency</u>.

- It also helps in identifying instances of fraud, waste and abuse.

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Focus of this Presentation

- Monitoring is a key means of determining the effectiveness of the internal controls that you maintain as a grantee.

- Regardless of who your other partners may be and the amount of control you cede to them, <u>you, the HUD grantee, have the ultimate responsibility for proper administration of your CDBG and CDBG-CV grant program</u>.

- A presentation earlier this week focused on what to expect and how to prepare when HUD monitors.

- This presentation will focus on grantee internal monitoring of its program and, specifically, its subrecipients.

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Two Key Resources for Managing Subrecipients
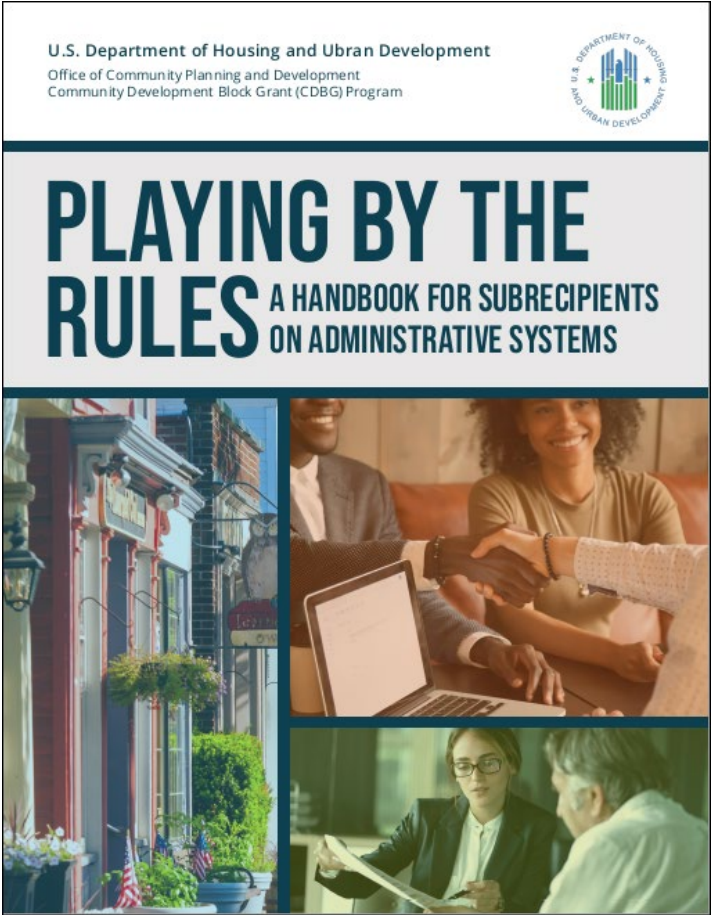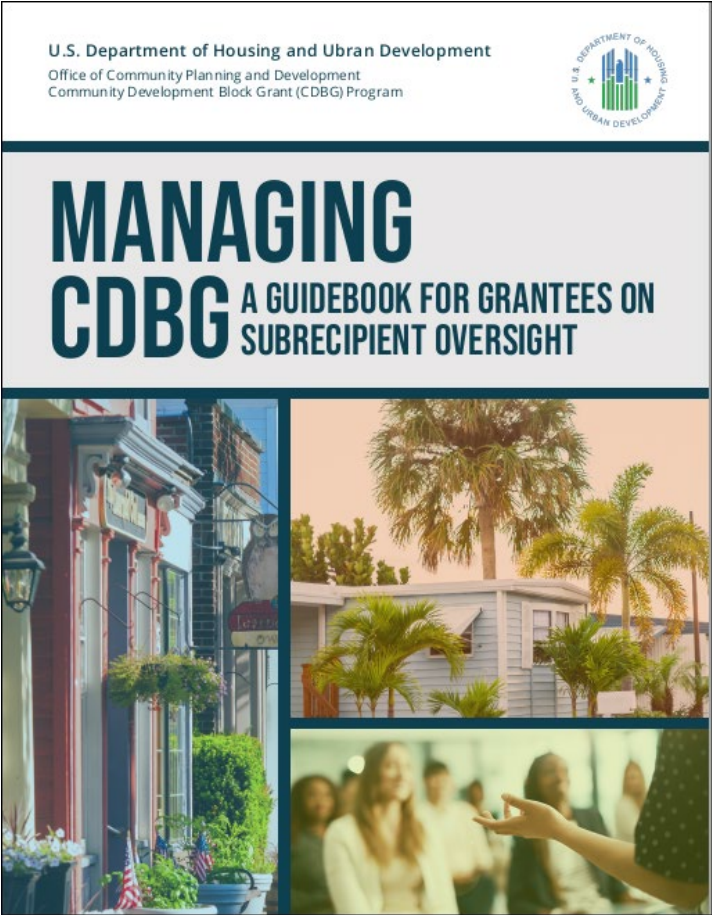
CDBG Monitoring Overview

Monitoring of program performance is critical to CDBG grantee management and oversight responsibilities

CDBG grantees are responsible for managing day-to-day operations of CDBG program

CDBG grantees must ensure that CDBG funds used by CDBG Subrecipients meet program compliance

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CDBG Monitoring Overview

Implementation of CDBG activities by CDBG Subrecipients does not relieve CDBG grantees of program responsibilities
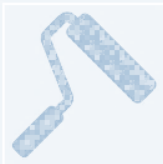
Monitoring is the primary tool to be used by CDBG grantees to ensure program compliance by CDBG Subrecipients

Monitoring focuses on both program & project performance

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Poll Question

What's the most valuable monitoring tool available to you to monitor your subrecipients?

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Three Types of Monitoring

1. **Administrative and Financial Monitoring**
    -   Ensures subrecipients are implementing and managing the program correctly:
        -   Tracking funds
        -   Using proper record-keeping methods
        -   Managing finances (2 CFR 200, the Uniform Guidance)

2. **Program Monitoring**
    -   Ensures efficient regulatory operations and management procedures, compliance with CDBG regulations by the subrecipient organization

3. **Project Monitoring**
    -   Ensures all projects (activities) follow CDBG regulations and other Federal Requirements

The Monitoring Requirement

- CDBG regulations require CDBG subrecipients (receiving CDBG funds) to be monitored.

- See 24 CFR 570.501(b) – the Monitoring Clause

- How frequently you monitor a subrecipient is based on your evaluation of the noncompliance risk that a subrecipient poses. This is called a <u>risk assessment</u>. More frequent monitoring may be appropriate based on:

    - The type and complexity of the CDBG activity

    - Experience and capacity of the CDBG subrecipient

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Risk Assessments

- The Uniform Guidance at 2 CFR 200.332(b) requires "pass-through entities," which a grantee recipient is to its subrecipient, perform a risk assessment of its subrecipients by taking into consideration the following factors:

  - Subrecipient's prior experience with same or similar subawards;

  - The results of previous audits, including whether the same or similar subaward has been audited as a major program;

  - Whether the subrecipient has new personnel or new or substantially changed systems; and

  - The extent and results of Federal awarding agency monitoring, if the subrecipient also receives federal awards directly.

Assess Annually?

- There is some question as to whether 2 CFR 200.332(b) requires a grantee to perform a risk assessment of all its subrecipients annually.

  The HUD Office of Inspector General comes to this conclusion in its 2016 Integrity Bulletin entitled, "Subrecipient Oversight and Monitoring," but <u>the annual requirement is not stated in the Uniform Guidance</u>.

- Nevertheless, become familiar with the **Subrecipient Monitoring and Management** Section of Part 200 (2 CFR 200.331-333).

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Monitoring Strategy and Plan

1. Objectives of monitoring plan

2. Standard procedures for reporting by CDBG Subrecipients

3. Standard procedures for review and monitoring

4. How risk areas will be determined and addressed

5. Frequency of on-site monitoring visits and inspections

6. Pre-monitoring preparation

7. Monitoring schedule

8. CDBG Subrecipient program and project portfolio

9. Monitoring checklists

10. Sample Monitoring Letters

Five Basic Monitoring Steps

1. Monitoring Strategy

2. Pre-monitoring Preparation

3. Conducting the Monitoring

4. Communicating Results

5. Follow-Up

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Pre-Monitoring Preparation

Your preparation for monitoring should include, but not limited to, a review of the following subrecipient documentation and records:

- CDBG subrecipient application

- Subrecipient agreement

- Financial statements and records

- Audits

- Progress reports (Program, Financial and Project)

- Drawdown requests (invoices, documentation records, etc.)

- IDIS reports

- Previous monitoring reports and correspondence

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CDBG-CV Monitoring

Should you decide to monitor a CDBG-CV subrecipient before the CDBG-CV monitoring exhibit is available:

Develop a monitoring checklist

- Use the existing annual formula program CDBG monitoring exhibits that mirror the CDBG-CV activity, plus

- Duplication of benefits and PPR Tieback questions, as appropriate.

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Pre-Monitoring Preparation

Your preparation for monitoring should include, but not be limited to, a review of the following subrecipient documentation and records:

- CDBG subrecipient application
- Subrecipient agreement
- Financial statements and records
- Audits
- Progress reports (Program, Financial and Project)
- Drawdown requests (invoices, documentation records, etc.)
- **IDIS reports**
- Previous monitoring reports and correspondence

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IDIS Reports for Monitoring

- **PR 02** – CDBG Activity Detail Report

- **PR 03** – CDBG Activity Summary Report

- **PR 05** – Drawdown Report by Project and Activity

- **PR 09** – Program Income Detail Report by Fiscal Year and Program

The Entrance Conference

- Whether monitoring on-site or remotely, every monitoring starts with an entrance conference.

- The purpose is to go over what you intend to review and schedule meetings with staff/clients/beneficiaries, including arranging site visits.

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Conducting the Monitoring

Evaluate! Communicate! Document! Repeat!

Through staff or client interviews

- Interviews serve to put file documentation in context.

- Client interviews serve to assess satisfaction with the services provided

- Monitoring should never rely solely on staff interviews.

Through file reviews

- File reviews serve to verify – or not - what you have seen in documents sent by the subrecipient and/or told to you during staff interviews.

Preferably, through site inspections

- Site inspections support that funds were spent properly to achieve intended results.

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Sampling

- Unless there is ample time or a small universe, reviews of projects/activities will require sampling.

- Follow Handbook guidance in sample selection.

- Samples can be random, non-random, or a statistically valid random sample.

- **Statistically valid random samples allow you to generalize to the activity as a whole.**

- Conclusions for random or non-random samples are limited to the selected sample.

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Exit Conference

- Upon completion of the monitoring, an exit conference with the appropriate subrecipient staff, typically the Executive Director, is held to discuss your preliminary conclusions.

- This serves to confirm the accuracy and completeness of the information used to form the basis for the monitoring and can also serve to highlight any areas of disagreement.

- Exhibit 2-1 of the CPD Monitoring Handbook has a format to use to organize the monitoring conclusions.

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Monitoring Conclusions and Follow-up

Monitoring can have five different results:

- Performance is adequate or exemplary.

- There are significant achievements.

- Concerns have been identified to be brought to the subrecipient's attention.

- Technical assistance is needed or was provided.

- There are findings that require corrective action.

Applying Corrective Actions

Consider applying three levels of corrective actions depending on the non-compliance severity:

1. **Low-Level Interventions**
   - Identify the problem and required corrective action
   - Provide more training/technical assistance to address problems/lack of compliance
   - Require more frequent reporting
   - Conduct a follow-up monitoring visit to ensure corrective actions have been implemented

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Applying Corrective Actions (cont.)

2. **Moderate-Level Interventions**

    •   Restrict payment requests

    •   Disallow certain expenses or require repayment of CDBG grant dollars

    •   Impose probationary status

3. **High-Level Interventions**

    •   Take most serious actions to end non-compliance

    •   Temporarily suspend subrecipient from participation in CDBG program

    •   Do not renew subrecipient activity for next program year

    •   Terminate subrecipient or activity for current program year

    •   Initiate legal action

Providing Technical Assistance

Technical assistance provided before a Subrecipient Agreement is signed and funds are spent pays big dividends:

- Individual agency or group orientation sessions at the beginning of each funding cycle.

- Providing training and technical assistance will help you with your own compliance activities. There's nothing like teaching to develop your own understanding of a subject.

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COMMUNITY PLANNING DEVELOPMENT

Let's Get Your Thoughts on the Following Monitoring Scenario…

City Senior Center (CSC) has long been recognized as a vital social service and recreational resource in the community. Fred Funhouse, the City Community Development Director, has not visited the CSC for a monitoring visit in several years. The new CSC Executive Director, Tammy Toogood, has been described in the local media as a "go-getter who looks under every rock" for ways to support additional activities at the Center.

Becoming aware of the Part 200 risk assessment requirement at a HUD training two months ago, Fred decides to make what he believes will be a routine monitoring visit to the CSC. The most recent CDBG grant was for a new roof for the building. CDBG funds paid for 50% of the roof, the rest came from local funding. Fred did not visit CSC during the roof replacement as the City Engineer assured him he "had everything under control."

As he approached the CSC on this occasion, he notices a big banner hangs from the building announcing the local high school's senior prom for later that evening. Entering the building, he sees that much of the space is being used for a children's daycare center. A small room in the back of the building is where activities for senior citizens are held. Ms. Toogood acknowledges that they had to shift to some other activities that generated more revenue "to help keep the lights on." Senior activities are now only scheduled on weekends, which Fred verifies by looking at the monthly calendar of activities posted on Ms. Toogood's office door.

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Provide your answers to each of these questions based on the scenario in the Poll Questions tab (located below the video player).

1. Identify the problem or issue.

2. What has Fred done correctly?

3. What has Fred done incorrectly?

4. What has the subrecipient done correctly or incorrectly?

5. Would you have reasonable cause to issue a finding? A concern? Why or why not?

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Questions?

The End

Thank you for participating this week!

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