



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ADDRESSING BARRIERS TO ACCESSING FEDERAL FUNDS

QUICK GUIDE SERIES



2024



EMPOWERING NONPROFITS, TRANSFORMING COMMUNITIES

This capacity-building series provides essential resources to help nonprofits overcome barriers to federal funding, fostering equity and inclusion to empower and transform underserved communities.



Introduction

Local governments play a crucial role in community development through collaboration with nonprofits, enhancing service delivery and achieving more equitable outcomes for underserved communities. Grantees can leverage the specialized knowledge, connections, and trust that nonprofits have cultivated in their communities. By sharing resources, building capacity, and establishing supportive policies, local governments can empower nonprofits to successfully apply for and manage federal awards.

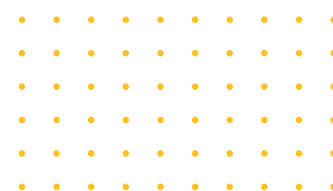
The guides offered in this series are designed to help grantees offer strategies to assist community-based nonprofits in accessing federal resources. By outlining step-by-step approaches, they ensure that nonprofits can navigate complex federal grant application and compliance processes. This guidance enables grantees to play a pivotal role in strengthening the nonprofit sector and promoting equitable access to essential federal resources.

Learning Objectives

- Expand the pool of nonprofit partners to better address community needs.
- Remove barriers preventing nonprofits from accessing federal resources.
- Provide tools, templates, and best practices to assist nonprofits with applying for and managing federal grants.
- Create strategies for effective agreements, monitoring plans, and performance measures to ensure new subrecipients are successful.

Contained Within This Guide:

- Series I: Engaging Nonprofits for Success
- Series II: Removing Application and Award Barriers
- Series III: Sustainability and Ongoing Decision-Making





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ENGAGING NONPROFITS FOR SUCCESS

QUICK GUIDE SERIES I

This guide highlights the benefits of partnering with local nonprofits, outlines strategies for effective community engagement, and emphasizes the importance of including non-traditional stakeholders. It provides practical steps for leveraging local knowledge and trust to enhance program impact and ensure inclusivity.



2024



ENGAGING NONPROFITS

Grantees can gain significant advantages by partnering with local nonprofits to integrate diverse viewpoints and effectively engage underserved communities. Community-based organizations often possess a deep understanding of their communities and enjoy a high level of trust, particularly among marginalized and underserved populations.

These nonprofits are deeply rooted in the community, maintain direct connections with residents, and already provide essential services.



Establish Strong Partnerships



Evaluate Progress

- Evaluate whether goals in the Consolidated Plan are being met and whether the program services are effectively reaching neighborhoods or residents as intended.
- Identify areas for improving service delivery, particularly where nonprofits can provide valuable contributions.



Needs Assessment

- Use the [HUD Maximizing Investments Toolkit](#) to identify local housing and community development needs and determine how to use available resources most effectively to address those needs.
- Host meetings to present assessment findings, validate data, and solicit input on program effectiveness and enhancements.



Citizen Participation

- Involve nonprofits early in the three-to-five-year consolidated planning process to provide input, educate, increase awareness, and help improve community development initiatives.
- Ensure nonprofit perspectives influence programs and resource allocation.



Capacity Building

- Assess nonprofits' abilities to implement programs and manage federal funding.
- Offer technical support, grants, and training to enhance organizational capacities.



Outreach Methods

- Utilize community engagement strategies to enhance stakeholder participation, particularly from underrepresented groups.
- Host community meetings, focus groups, and surveys, use social media, and other techniques to expand participation.
- Distribute newsletters, include information in utility bills, use bulletin boards, and employ other channels to reach those without technology access.
- Use community-based channels such as senior and community centers, and churches.



Inclusive Engagement

- Ensure participation from nontraditional stakeholders, including those with Limited English Proficiency or disabilities.
- Provide accessibility accommodations, convenient meeting times, and translators as needed.



Information Sharing

- Communicate the priorities from the [Consolidated Plan](#) to community-based organizations. Offer examples to help subrecipients align their missions with community needs.
- Use resources such as the [HUD eCon Planning Suite Citizen Participation and Consultation Toolkit](#) for strategies to increase outreach and participation.



Tip: Grantees can share their plans with subrecipients to align their missions and services with goals in the Consolidated Plan. This summary can be extracted from the ES-05 section and tailored to address high-priority needs ([see examples](#)).

Building partnerships between nonprofits and government is important. This [article](#) describes how nonprofits and governments can work to create stronger relationships. You can also share this [checklist](#) to help new grantees understand the requirements for managing federal grant agreements.

To learn more about how to effectively engage nonprofits and the community, see the [HUD Community Engagement Toolkit](#), which offers strategies, tools, and innovative approaches to expand community input.

Understanding Procurement

Federal procurement regulations can be intricate and difficult to navigate, especially for smaller non-profits with limited administrative resources. The extensive documentation and reporting requirements can be overwhelming, leading to difficulties in maintaining compliance.

Grantees can support new sub-recipients in complying with federal procurement regulations through various strategies:

- **Training and Education:** Provide orientation and training sessions. This [Webinar and Quick Guide](#) offers best practices for procurement.
- **Clear Guidance and Documentation:** Supply clear, written guidelines and manuals that detail procurement processes. This [Manual](#) offers examples of policies and procedures for non-profits. See pages 42-57 for a sample procurement policy.
- **Regular Communication:** Schedule regular meetings to discuss procurement activities and address concerns. Create a communication channel for quick and effective problem-solving.
- **Monitoring and Feedback:** Conduct regular audits and reviews of sub-recipients' procurement activities, offering constructive feedback and recommendations for improvement. Perform desktop reviews on initial reimbursement requests where procurement was required.
- **Documentation Support:** Assist sub-recipients in maintaining proper documentation of all procurement activities. Provide templates for bids, contracts, purchase orders, and other necessary documents.
- **Compliance Checklist:** Provide a compliance checklist to help sub-recipients track their progress. Review the checklist with sub-recipients to ensure all requirements are met.

By implementing these strategies, grantees can effectively assist new sub-recipients in understanding and complying with federal procurement regulations, ensuring smoother operations and reducing the risk of non-compliance.



Building Partnerships with Nonprofits

Establishing partnerships with trusted community nonprofits is a beneficial approach for government initiatives focused on supporting low-income communities. While nonprofits excel in delivering their programs to clients, local governments may need to help them enhance their ability to manage federal funds. This support can be offered through various means such as conducting group training sessions, creating guidebooks and manuals, and providing personalized assistance.

Support for Nonprofits

For new agencies navigating the complexities of federal grants, completing grant applications, and understanding federal regulations can be daunting. Therefore, it is important to help overcome these barriers by providing educational resources and technical assistance. This can be achieved through fact sheets, interactive workshops, or online training sessions. These resources should clearly explain each step of the grant application and management process, making it more accessible and less intimidating for new entrants.

Strategies include the following:



Gradual Increase in Funding: Starting with smaller funding amounts and gradually increasing them allows nonprofits to grow their capacity at a manageable pace. This incremental approach can ensure sustainable growth in handling larger funding awards and more complex projects.



Technical Assistance Grants: Offer technical assistance grants to help build administrative, financial, and staff capacity. Establishing or strengthening these foundational elements equips nonprofits to handle larger projects and funding in the future. The [Basically CDBG Handbook](#) provides more guidance on financial management requirements. Further clarification on cash advance payments can be found [here](#).



Setting Clear Goals and Metrics: Establish clear achievable goals and metrics within the scope of services section of grant agreements. Objectives should be specific, measurable, attainable, relevant, and time-bound to keep organizations on track.



Examples of Policies and Procedures: Provide examples of effective subrecipient policies and procedures, including guidelines for crosscutting rules, and documentation requirements. These, along with the [Subrecipient Handbook](#), will help nonprofits maintain compliance with grant regulations and effective service delivery.



Support from National Intermediaries: Collaborate with national intermediaries such as Enterprise Community Partners, Local Initiatives Support Corporation, or NeighborWorks America to build nonprofit capacity through leveraged technical assistance, funding, and strategic planning support.

Case Study

Detroit Home Repair Program

In 2015, the [Detroit Home Repair program](#) was revamped from a grant-only program to a zero-percent interest loan program. Previously, the program was internally managed by city staff with the use of private contractors to perform the repair work. Applications were accepted about once every two years, in-person at the city's convention center with long lines and accessibility challenges for seniors. The demand for the program was high, but the inefficient process resulted in few homeowners being served by the program.



The City of Detroit selected a subrecipient to administer the overall Home Repair program. The subrecipient issued a Request for Proposal (RFP) to engage community-based nonprofit partners responsible for marketing, intake, screening, and counseling. This approach, along with the use of community centers, provided homeowners with accessible locations to get program information, apply for loans, and have a chance to discuss sensitive information with a trusted nonprofit.

By using an RFP to select nonprofit partners, the subrecipient could execute simple contract agreements, removing financial and administrative barriers for small, community-based organizations. The subrecipient trained 16 nonprofits citywide, enabling the program to reach a broader population, particularly older adults, by leveraging the trusted relationships these intake centers had within the community. The contracts also provided a steady source of revenue, helping sustain valuable community partners.



\$13.5 Million Investment

Since Detroit's program was launched, nearly 800 loans have closed, and construction on over 700 properties has been completed, representing a \$13.5 million investment in the community. Participants in the program ranged in age and income levels and lived in every district in the city.

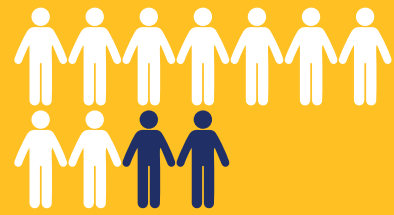


Prioritized Partnerships

By prioritizing partnerships with nonprofits known and trusted by the community, government initiatives can foster a sense of ownership, cooperation, and collaboration that leads to more effective and sustainable solutions for low-income communities.

Enhancing Nonprofit Capacity

To effectively aid nonprofits in serving low-income communities, it is essential for grantees to help nonprofits build their organizational capacity to deliver services. By ensuring that nonprofits have the capability to deliver services, grantees can help enhance the impact of these organizations.



Empower Subrecipients



Performing Pre-Award Assessments

- Utilize the [Guidebook for CDBG Grantees on Subrecipient Oversight](#) for conducting pre-award evaluations of nonprofits.
- Understand that this procedure assists in identifying potential obstacles and training needs, planning monitoring, minimizing the risk of significant issues, and ensuring success.



Assessing and Improving Staffing Strategies

- Collaborate with nonprofits to evaluate their staffing plans, ensuring a clear definition of roles, responsibilities, and qualifications for each position.
- Identify any staffing deficiencies and offer suggestions for filling these crucial roles.



Allocating Administrative Funds

- Support nonprofits by allocating appropriate levels of administrative funds to meet their operational necessities.
- Educate nonprofits on utilizing the 10 percent de minimis rate to allocate a portion of their federal funds for covering indirect expenses.
- Provide samples and templates to assist nonprofits in effectively utilizing and documenting their administrative fund usage.



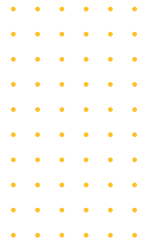
Understanding and Managing Administrative Funds

- Educate nonprofits on distinguishing between program expenses and administrative costs to ensure accurate fund distribution and adherence.
- Utilize resources such as the HUD CPD Notice 2023-06 to clarify cost categorizations and offer specific illustrations.



Technical Assistance

- Provide grants to build the capacity of new nonprofits.
- Partner with capacity-building organizations like NeighborWorks America, the Local Initiatives Support Corporation, Enterprise, or local foundations.



Developing HUD Program Budgets

Understanding program budgets is crucial for new nonprofits receiving federal funds. A program budget is a detailed estimate of all costs required to complete project objectives. A well-structured program budget ensures that an organization considers all operational costs needed to manage a program and adheres to the regulations governing the use of federal funds.

This helps nonprofits maintain financial integrity and achieve their project goals efficiently. Grantees can share this guide with nonprofits to help develop a federal program budget.



Creating a Budget

→ **Start with an Effective Budget Template:**

The grantee may provide a budget template included in the Notice of Funding Opportunity (NOFO). This [Budget Template](#) from the CDBG-DR program serves as a comprehensive tool for creating a detailed budget.

→ **Types of Federal Expenses:**

There are two types of federal expenses included in a federal budget: direct program and indirect program costs.

1. Direct Program Costs:

Direct costs are expenses that can be specifically attributed to a particular project or program. These costs are related to the activities and objectives of the HUD program and are easily identifiable and measurable.

Examples of direct costs include the following:

Salaries and Wages

- Identify the employees responsible for executing program activities, such as housing counselors, shelter staff, and home repair or housing development staff.
- List the name, position, and percentage of time each person will dedicate to the project.



- Calculate the salaries and fringe benefits for each employee participating in the program, proportionate to the time allocated. Fringe benefits encompass items such as payroll taxes (e.g., FICA, unemployment, and workers' compensation) and benefits (e.g., medical, dental insurance, retirement contributions, paid time off).

Note: For further details on permissible personnel costs, consult [2 CFR 200.430](#) (compensation) and [2 CFR 200.431](#) (fringe benefits).

Professional Fees

- Nonprofits often use consultants to assist with grant requirements. Include expenses for contractors or consultants with a particular expertise or skill set not available within the organization, such as mental health, job training, or evaluation services.

Note: You may also choose to use contractors (vs. employees) to fulfill short-term staffing needs or to augment internal staff.

Direct Beneficiary Benefits

- Include direct beneficiary expenses such as rental or utility assistance payments to landlords, home repairs, homebuyer down payment assistance grants, and small business loans.

Note: Make sure to confirm eligible activities described in the NOFO for a specific program such as CDBG or ESG or confer with the grantee.

Operational Expenses

- List all other expenses required to operate the program such as supplies, travel, brochures, or participant materials.

Program Administrative Costs

Program administrative costs refer to essential expenses for managing and overseeing the CDBG program efficiently and in compliance with regulations.

These costs cover the following:

- General management, oversight, and coordination, including reasonable costs for program management, monitoring, and evaluation.
- Salaries and benefits of staff primarily involved in program administrative tasks or a portion of those involved in any administrative duties.
- Expenses related to program monitoring and evaluation.
- Financial management, budget development, reporting, and staff supervision.
- Administrative services under third-party contracts, such as legal, accounting, and audit services.



Note: Grantees must differentiate between program administration and program delivery costs for effective resource allocation in the CDBG program. Personnel expenses should not all be categorized under program administration. Program administration involves management and compliance monitoring, whereas program delivery includes project planning and direct service provision to program beneficiaries. [HUD CPD Notice 2023-07](#) offers detailed guidance on this essential aspect of budgeting.



2. Indirect Program Costs:

Indirect costs are a vital aspect of financial management for projects and organizations, ensuring that the less visible but essential support structures are adequately funded and maintained.

Unlike direct costs, which are directly attributable to a specific project (e.g., salaries of project staff, materials, equipment used exclusively for the project), indirect costs are incurred for multiple projects or activities and cannot be readily assigned to any specific project.

Examples of indirect costs include the following:

- Facilities-related costs such as utilities, building maintenance, or equipment such as shared copiers and printers.
- Salaries and benefits of administrative staff, office supplies, and general administrative services that support the overall operation of the organization.
- Shared support services such as IT, human resources, or accounting.

Note: Nonprofits have two options for charging indirect costs to federal grants as described in [2 CFR 200.414](#).

Negotiated Indirect Cost Rate Agreement (NICRA)

Negotiating an indirect cost rate is an efficient way for nonfederal entities to seek reimbursement of indirect costs.

Nonfederal entities must develop and submit an indirect cost-rate proposal to their federal [cognizant agency](#) (the federal agency providing the majority of funding to that entity) requesting the establishment of an indirect cost rate as described in Appendices III through VII and Appendix IX to [2 CFR Part 200](#).

Understanding the 10 Percent De Minimis Rate

[2 CFR 200, Subpart E, Section 200.414 \(f\)](#) specifies that any nonfederal entity that does not have a current negotiated indirect cost rate may elect to charge a de minimis rate of 10 percent of modified total direct costs subject to the following conditions:

- The entity does not have a current negotiated indirect cost rate.
- The de minimis rate must be used indefinitely.
- The entity must comply with [§200.403](#) factors affecting the allowability of costs.
- Once elected, the de minimis rate must be used consistently for all federal awards until such a time as the nonfederal entity chooses to negotiate a rate.



Tip: Negotiating an indirect cost rate can be complicated and time-consuming. Election of the 10 percent de minimis rate is a much simpler method for reimbursement of indirect costs. To learn more about the differences and how to take advantage of the de minimis rate, watch this [video](#).





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ADDRESSING APPLICATION AND AWARD BARRIERS

QUICK GUIDE SERIES II

This series will guide grantees and their subrecipients in overcoming barriers to securing federal resources. It covers the entire process from application and contracting to financial and grants management, timely resource utilization, and accurate documentation and reporting of expenditures and outcomes.



2024



DEVELOPING STANDARD APPLICATION MATERIALS



This guide is designed to help nonprofits reduce barriers to accessing federal funds by evaluating their readiness to apply, offering tools to create more effective and successful applications, and providing guidance to improve their chances of securing federal grants.



Pre-Application Phase: During the pre-application phase, you can engage potential community partners such as subrecipients, developers, and contractors who are new to using federal grant funds through a request for qualifications or a workshop. The workshop will offer crucial information about grant programs, including eligible activities and the procurement process, while also collecting essential details about potential subgrantees and their fitness with the programs.



Factors such as operational history, organizational structure, systems, and service background will be evaluated to assess an organization's eligibility to apply.

Broaden Your Reach: Diverse Nonprofit Engagement

To develop partnerships with diverse nonprofits and community organizations, follow these steps:



Map your community: Identify and reach out to local nonprofits, faith-based organizations, and community groups that align with your funding objectives.



Build relationships: Attend community events, join local networks, and engage with leaders to establish trust and open lines of communication.



Use inclusive language: Ensure your outreach materials are accessible and culturally sensitive. Translate documents into multiple languages and provide clear instructions.



Leverage social media: Promote funding opportunities on various social media platforms and community forums to reach a wider audience.



Host pre-application workshops: Offer informational sessions to explain funding opportunities, application processes, and eligibility criteria. This demystifies the process and encourages participation from a broader range of organizations.

By proactively engaging with diverse community organizations, you will create a robust network of potential applicants, ensuring more equitable access to funding opportunities. More examples can be found on the HUD Exchange.

Funding Application and Assessment Tool

Completing federal award applications can be overwhelming for small nonprofits. The staff may lack the capacity and knowledge required for successful grant funding applications, resulting in incomplete submissions, missing documents, or disqualification.

The time frames for requests for proposals or notices of funding availability are typically short, leaving first-time nonprofit applicants struggling to gather all essential information for a comprehensive proposal. Grantees can provide a pre-application checklist to help nonprofits prepare for the application process, ensuring they have all necessary paperwork and documentation.

Including this checklist in the application packet can help evaluate subrecipient eligibility and preparedness. For another example, click [here](#).

- **Introduction:** In the grant pre-application introduction, grantees should review the purpose, process, and time frame for upcoming RFPs, RFQs, or NOFOs. Announcement of pre-application meetings or workshops is recommended.
- **Organizational Information:** Gather organizational documents, including proof of legal status such as the 501(c)(3) determination letter, Federal Tax ID, and UEI numbers, as well as your bylaws, organizational chart, and mission statement. It is also essential to include resumes or bios of key leadership and board members, a list of staff and their qualifications, and evidence of past program successes. To obtain a UEI, visit the SAM.gov website, create an account, and follow the steps to register your entity and receive your Unique Entity Identifier.
- **Organizational Financial Information:** Recent audited financial statements are advantageous but not necessarily mandatory. In cases where audits are unavailable, internally generated financial statements or tax returns may be sufficient. Note: Grantees might consider waiving the audit requirement for the initial year and imposing it as a condition for the renewal of any grants.
- **Program Description:** Develop a detailed description of the program or services to be offered, outlining objectives, target population, expected outcomes, and data to justify program needs. Document the eligibility of the program or services.
- **Program Financial Information:** Create a detailed budget for the proposed program, including all funding sources and uses. Status on financial commitments, especially if programs such as Emergency Shelter Solutions require matching funds or audits, should be included.
- **Performance Metrics and Evaluation Plan:** Develop key performance measures to assess programmatic success and impact, along with a plan for monitoring progress on outputs and outcomes.





Creating Subrecipient Agreements

This guide assists grantees in creating comprehensive subrecipient agreements that emphasize awareness and adherence to regulatory standards while promoting fairness.

Well-structured agreements function as essential tools for managing performance evaluation, compliance, training, and capacity enhancement, especially for organizations supporting marginalized communities. These agreements should encompass all regulations, incorporate a work statement, budget details, performance metrics, reporting criteria, record-keeping guidelines, and procedures for addressing noncompliance.

Requirements for Agreements: The general requirements for agreements with pass-through entities, whether subrecipients or contractors, are outlined in [2 CFR 200.332](#). These requirements are also found in program-specific regulations, such as the minimum requirements for [subrecipient agreements](#) in the CDBG program or the [written agreement](#) requirements of the HOME program. It is the responsibility of the grantee to ensure that all necessary provisions are included in their agreements, including a [subrecipient agreement checklist](#).

Best Practices for Subrecipient Success



Inclusive orientation and onboarding: Conduct sessions that are accessible and culturally sensitive, providing information on grant requirements and roles.



Regular training and technical assistance: Offer inclusive training programs and resources focused on financial management and compliance.



Clear and accessible communication: Establish communication channels that are open and accessible to all subrecipients.



Equitable risk assessment: Conduct risk assessments and develop strategies that address challenges, particularly for underrepresented communities.



Regular reviews: Monitor progress and provide feedback, considering the unique challenges of diverse organizations.



Comprehensive guidelines: Provide checklists and guidelines that are clear and supportive of diverse organizations.



Ongoing support and mentoring: Offer mentoring and support to help subrecipients navigate regulations and succeed.



Building Subrecipient Capacity to Meet Timeliness Standards

This guide ensures subrecipients understand timely performance requirements and provides strategies for meeting expenditure timeliness standards.

Timely Performance

Timely performance refers to complying with the obligation for a grantee or subrecipient to carry out their program promptly, as indicated by the rate of fund expenditure outlined in grant agreements. Subrecipients should understand that HUD enforces various timely expenditure requirements across different grant programs, which are crucial in helping grantees meet deadlines.

- **CDBG**
According to [24 CFR 570.902](#), a grantee must spend CDBG funds at a rate that leaves a balance of no more than 1.5 times the most recent annual grant in their line of credit (LOC) 60 days before the program year ends. Failure to meet this requirement can lead to the loss of excess funds.

- **HOME**
As stated in [24 CFR 92.205 \(e\)](#), the HOME program mandates a four-year project completion time frame. After this period, unfinished projects will be terminated, and HOME funds must be returned. Under §92.500(d), HOME CHDO set aside projects have a five-year deadline for expenditure.

- **ESG**
As per [24 CFR 576.203\(b\)](#), ESG funds must be spent or committed for spending within two years from the date of HUD signs the grant agreement. Recipients can access funds for eligible expenses incurred before that deadline.

Note: Moreover, all HUD funds, regardless of the program, has a regulatory grant term or “period of performance” during which all funds must be expended. For example, some programs have built-in expenditure thresholds as well as a defined point in time where all funds must be expended. Keep in mind that the maximum availability of federal funds (unless statutorily defined otherwise) of 8 years from the date of the agreement with the federal agency.

Timeliness Standards-For Grantees

Subrecipients play a major role in helping grantees achieve their local housing and community development goals. However, subrecipients often encounter challenges in utilizing federal funding promptly, which may impact a grantee's compliance with program timeliness. To address this issue, grantees can support subrecipients in maintaining progress, identifying spending issues, and taking initiative-taking measures to overcome obstacles.

HUD's [Subrecipient Timeliness Guide](#) provides useful information to ensure CDBG subrecipient timeliness. Subrecipient timeliness starts with strong program management, strong communication, and effective management tools.



Tips for Grantees

Activity Selection

- Understand that when choosing activities for new subrecipients, opt for those that are easier to manage. For instance, street outreach is a less complex task for subrecipients to handle with ESG funding.
- Understand that starting small allows subrecipients to gradually enhance their capabilities to handle more intricate activities in the future, while enabling grantors to evaluate performance effectively as they expand.

Subrecipient Agreements

- Craft detailed subrecipient agreements that include budgets, performance metrics, expenditure milestones, and reporting obligations.
- Define performance objectives and expenditure criteria in agreements for use as a monitoring tool for grantors to effectively supervise subrecipient timeliness.

Training and Communication

- Provide training and maintain regular communication with subrecipients to ensure they are well-versed in regulations and their duties, facilitating the prompt execution of projects.
- Utilize [HUD online resources](#) available on the HUD Exchange for additional support.

Request for Payment

- Implement a [request for payment form](#) containing essential information to monitor spending rates and identify performance challenges. The example is from the CDBG-CV program. Other programs may use different templates.
- Understand that new subrecipients may require the initial time at the start of the performance period to establish financial or performance management systems compliant with federal regulations.

Using Performance Tracking Systems

- Develop user-friendly reports to monitor subrecipient progress and performance.
- Engage with subrecipients who fail to submit reports on time. Do this promptly because this could signal underlying issues.

Monitoring for Compliance and Effectiveness

- Understand that regular monitoring of subrecipients is vital to ensure compliance with program requirements and efficient fund utilization.
- Understand that early monitoring of new subrecipients in the performance period aids in identifying issues and providing necessary technical support.

Developing Templates and Tools

- Create and distribute templates and tools for project planning, financial tracking, and reporting to assist subrecipients.
- Standardize processes using resources such as project timeline templates, budget spreadsheets, and progress report formats to simplify compliance with program requirements.

Encouraging Collaboration and Partnerships

- Pair less experienced subrecipients with seasoned ones for mentorship opportunities.
- Promote the exchange of best practices, success stories, and effective strategies through peer-learning sessions or networking events.
- Facilitate collaboration among subrecipients, nonprofits, and stakeholders during the Consolidated Plan process.

Addressing Untimely Performance

- Ensure that grantees implement work-out plans with subrecipients facing timeliness issues.
- The guide [Developing and Implementing a CDBG Workout Plan](#) offers useful tools for grantees to assist subrecipients in developing expenditure plans. (note: convert to printable Excel tool for ease of use).

Timeliness Standards-Subrecipients

Successful implementation of subrecipient activities starts with effective planning to meet performance measures reflected in subrecipient agreements. Subrecipients should collaborate with grantees to develop agreements that include a statement of work and schedule for the completion of funded activities. These contractual obligations help maintain a focus on timeliness.

Be realistic about how much time it may take to expand program operations to accommodate new funding or build financial management and recordkeeping systems to meet federal requirements. More information can be found in the [Playing by the Rules Handbook](#).



Tips for Subrecipients

Activity Selection

- For newcomers to federal funding, consider applying for activities that align with your capabilities and are easier to manage. Street outreach, for instance, is a less complex activity within the ESG program, suitable for new subrecipients to handle initially.
- You can gradually enhance your abilities to take on more intricate tasks in the future, allowing your partner grantee to assess your progress as you expand.

Subrecipient Agreements

- A well-structured subrecipient agreement should outline budgets, performance benchmarks, expenditure milestones, and reporting obligations.
- These agreements help your grantee supervise and ensure timely subrecipient actions.

Financial and Programmatic

- Implement robust financial and administrative systems to provide accurate, timely project spending reports. Your grantee may request specific payment forms to track expenses against the agreed budgets.
- Utilize financial management tools such as QuickBooks to monitor financial and performance data, generating budget-to-actual reports.

Be Proactive

- Maintain open communication with your grantee to address any challenges in meeting spending targets or performance goals.
- Your grantee may offer solutions to support your success.

Enforcement Mechanisms

- Your subrecipient agreement should outline actions the grantee can take if performance or expenditures fall behind, such as implementing a performance improvement plan.
- Delays in spending could result in fund reduction or recapture, so communicate with your grantee to prevent such issues proactively.



Reporting, Recordkeeping, and Closeout

This guide will help subrecipients identify the type of records to be maintained, the reporting requirements generally associated with federal funds, and the necessary documents and procedures to close out your grant upon project completion.

Recordkeeping

The significance of maintaining accurate records cannot be emphasized enough. Having a successful project that meets all requirements and benefits the community is essential, but without proof of compliance, there could be a need to repay funds. Proper recordkeeping is crucial for subrecipients to document adherence to regulations.

HUD mandates that program records be retained for three to six years, allowing access to both grantees and HUD during this period. Subrecipients should establish a clear record retention policy to guarantee the availability of requested documents.

To document compliance adequately, maintain three types of records: administrative, financial, and project specific. These records should be accurate, complete, and organized, providing a detailed account of each activity. Files can also be divided by activities and by client information. Conduct a review of your recordkeeping system to align it with HUD grant requirements and identify any deficiencies.

Using a file checklist can help subrecipients ensure all necessary documents are retained for each project or grant award. The contents of the file may vary depending on the activity, but certain documents such as income eligibility verification, [CDBG national objective determinations](#), procurement records, contracts, and payment requests are typically universal. HUD offers a sample [Recordkeeping Checklist](#) for the CDBG program to assist in maintaining essential documentation in your files.

Sample Files

Activity File:

- Description of activity, location, and regulatory reference
- Budgeted and obligated funds
- Eligibility determination
- Policies and procedures
- Subrecipient agreement

Client File:

- Application for assistance
- Eligibility determination
- Household size and income
- Case management files and notes
- Client services documentation such as home repair invoices, utility assistance payments, leases, etc.

Reporting

Reporting requirements can vary based on the source of funds being expended, grantee-specific requirements, or general reporting requirements associated with federal funding. The specific reporting requirements of your grant will be spelled out in your funding agreement(s). It is therefore important to review these requirements early in the grant process to ensure that you can gather the necessary information and generate the required reports.

For example, the grant award may require that the subrecipient collect and report demographic information such as race, ethnicity, and income of project beneficiaries. If that information is not readily available, work with your subrecipient to take the necessary steps to capture and include this information going forward. Reporting can be done on a monthly, quarterly, or annual basis as defined by the subrecipient agreement and includes the following considerations:

Reporting System

- Meet HUD program requirements.
- Strengthen your administrative systems.
- Document achievements.
- Increase accuracy of reports
- Prepare for monitoring.



Reporting Process

- Ensuring the correct information reaches the appropriate person at the right time.
- What needs to be measured, when, and how.
- Objective of collecting the information
- Information must be analyzed.
- Progress for HUD quarterly and annual reporting.

Grant Closeout

The grantee will formally close out a grant award when it determines that all administrative actions, and all required work under the subrecipient agreement have been completed. This generally means that all expenditures, all grant activities, and administrative requirements such as final reporting have been completed. Unless the grantee authorizes an extension, subrecipients must submit all required reports no later than 120 days from the date of the end of the grant term.

Once you and the subrecipient have determined that the grant is ready for closeout, grantees should start the process for formal grant closeout.

Grant closeout requirements are described in [2 CFR 200.344](#), although there may be additional closeout procedures established by the grantee that apply as well. Any funds or obligations remaining at closeout must be covered by the terms of the subrecipient agreement.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUSTAINABILITY AND ONGOING DECISION-MAKING

QUICK GUIDE SERIES III

This two-part series will guide grantees and their subrecipients in fostering sustainability and facilitating ongoing decision-making for program success. By offering comprehensive support, grantees can empower subrecipients to build sustainable programs, enhance their decision-making capacity, and effectively navigate program management for impactful, long-term community development initiatives.



2024



MONITORING FOR SUCCESS

This guide will help grantees improve their effectiveness in monitoring performance and providing technical assistance to subrecipients, particularly new ones, to address risk concerns and capacity needs. Self-monitoring, a critical strategy in developing subrecipient capacity and maintaining sustainability, will also be addressed.

Definition

Monitoring is an integral HUD management control technique and a Government Accountability Office standard. It involves activities that management establishes and operates to assess performance quality over time and promptly resolve the findings of audits and other reviews.

Monitoring provides information for decision-making about program effectiveness and management efficiency and identifies fraud, waste, and abuse.

Monitoring ensures the following:

1. HUD-funded programs are implemented efficiently, effectively, and in compliance with applicable laws and regulations.
2. Program participants develop or improve their performance, capacity, management, and technical skills.
3. Program participants stay updated on CPD-administered programs and technical areas within the communities their programs serve.

Monitoring Subrecipients



Ensure Risk Assessment and Identification:

Many grantees often cannot monitor all subrecipients efficiently, resulting in the need for a risk assessment approach. Grantees can mitigate risks by conducting a thorough assessment to identify potential risk factors for subrecipients, especially new ones. The assessment includes evaluating financial systems, organizational structure, and program management proficiency to determine monitoring priorities, frequency, and type. Refer to risk assessment tools and checklists such as the [CDBG Subrecipient Oversight Guidebook: Assessment and Subrecipient Selection](#) (see Chapter 5).





Establish Monitoring Protocols and Develop a Monitoring Plan:

Establish monitoring protocols and guidelines with specific monitoring activities, timelines, and responsibilities for grantees and subrecipients. A monitoring plan sets clear expectations for reporting, communication, monitoring visits, inspections, and financial reviews to ensure consistent oversight and assessment of activities.



Conduct Subrecipient Orientation:

Provide individual or group orientation sessions for first-time agencies or inexperienced staff to introduce community partners, review agreements and scopes of work, and present sample reimbursement requests.



Data-Driven Performance Metrics:

Use data-driven performance metrics and key performance indicators to evaluate subrecipient activities' progress and impact. Define measurable targets and outcomes aligned with grant objectives in grant agreements to track and assess subrecipient performance against predefined metrics.



Regular Compliance Reviews:

Conduct routine compliance reviews to assess subrecipient compliance with grant requirements, regulations, and reporting standards. These reviews, which may occur monthly or quarterly depending on the subrecipient, involve desk reviews, quantitative and qualitative progress reports using review checklists and evaluation criteria.



On-site Monitoring Visits:

Conduct (in addition to the above methods) at least one on-site visit per year for each subrecipient. Based on the initial risk assessment, onsite visits may be waived for high-capacity partners or scheduled earlier and more frequently for new and low-capacity subrecipients. During these visits, grantee representatives review files, invoices, and payments against reimbursements, interview agency staff, and community partners.



Prepare a Monitoring Letter for Action:

Record (following each monitoring activity) positive and negative observations and note any findings or concerns. Findings are violations of HUD regulations that must be corrected, whereas concerns are nonregulatory or management issues that may lead to findings and should be addressed. The letter should outline actions to be taken and provide a response timeline.



Customized Technical Assistance Plans:

Develop tailored technical assistance plans based on the specific needs and challenges identified during risk assessment and monitoring. Offer targeted training programs, capacity-building workshops, and one-on-one peer mentoring to equip subrecipients with the necessary knowledge and resources to address their needs.



Collaborative Problem-Solving Approach:

Encourage a collaborative problem-solving approach that promotes open communication and engagement between grantees and subrecipients. Establish a supportive environment where subrecipient staff feel comfortable seeking guidance, sharing concerns, and proactively addressing identified risks or challenges.



Continuous Evaluation and Feedback:

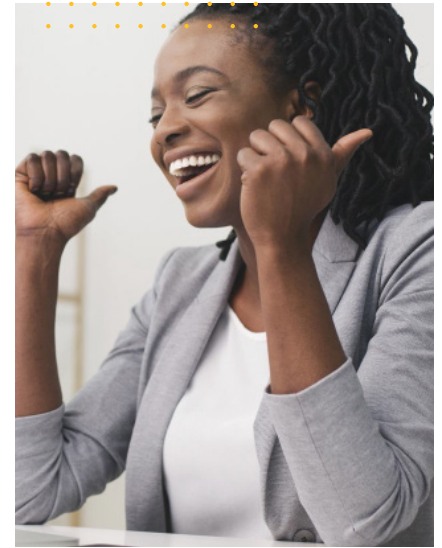
Implement a continuous evaluation and feedback system to assess the effectiveness of monitoring and technical assistance efforts. Seek input from subrecipients to gather their perspectives on the provided support and utilize their feedback to make necessary process adjustments.

Measuring Program Outcomes

This guide will help grantees provide methods for helping new subrecipients establish goals, metrics, and performance outcomes in program development and grant agreements.

Establishing Clear Goals

Establishing clear goals, metrics, and performance outcomes in subrecipient grant agreements is key to ensuring accountability and effective program management. Measurement provides an objective standard to monitor and guide performance improvement and capacity building. Here are methods to help establish these parameters effectively:



→ Stakeholder Consultation:

Use a comprehensive community stakeholder consultation process to identify key priorities, desired outcomes, and performance indicators that align with the grant program goals. Funding applications from subrecipients should require community input on program services and include support letters.

→ SMART Goals Setting:

Define specific, measurable, achievable, relevant, and time- goals that clearly state the desired outcomes and performance expectations for subrecipients in easily understandable language. Ensure that the goals are aligned with the overall grant program objectives providing a clear basis for monitoring and evaluating performance.

→ Performance Measurement:

Framework: Develop a performance measurement framework that outlines the specific metrics and indicators to be used for assessing subrecipient performance. Define both qualitative and quantitative measures for progress, impact, and success of the subrecipient's activities.

→ Outcome-Based Agreements:

Incorporate a diversity, equity, and inclusion lens when structuring subrecipient grant agreements around outcome-based deliverables. Emphasize the achievement of specific community and beneficiary impacts rather than focusing solely on outputs or activities. Define clear outcome targets and performance benchmarks that reflect the intended changes or benefits to be realized within the target community or beneficiary population, ensuring that these targets promote diversity, equity, and inclusion as integral components of the funded programs or projects.



→ **Data Collection and Reporting Requirements:**

Specify the data collection and reporting requirements that subrecipients must adhere to throughout the grant period. Clearly outline the types of data to be collected, the frequency of reporting, and the format for presenting performance data and outcomes. Establish a systematic process for data collection, analysis, and reporting that enables regular monitoring and assessment of progress and achievements.

→ **Regular Performance Reviews and Feedback:**

Schedule regular performance reviews and feedback sessions with subrecipients to evaluate their progress, identify areas for improvement, address any performance gaps, and provide guidance and support. Use these reviews as opportunities to assess the subrecipient’s adherence to the established goals and metrics and provide technical assistance to enhance their capacity.

Performance Review Feedback Form	
Progress Evaluation	Comments
Achievement of Goals and Objectives	
Are the subrecipient’s activities aligned with the established goals?	
Have the expected outcomes been met?	
Timeliness and Adherence to Deadlines	
Is the subrecipient meeting project milestones on time?	
Are reports and deliverables submitted as scheduled?	
Accuracy and Completeness	
Is the work that the subrecipient delivered accurate and complete?	
Are there frequent errors or omissions?	
Compliance with Standards	
Is the subrecipient adhering to compliance standards and regulations?	
Are there any areas where compliance is lacking?	



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