

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Community Development Block Grant (CDBG) Program



MANAGING CDBG A GUIDEBOOK FOR GRANTEES ON SUBRECIPIENT OVERSIGHT



Managing CDBG

A Guidebook for Grantees on Subrecipient Oversight

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
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CHAPTER 1

INTRODUCTION

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RESOURCES

[Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities](#)
[Basiially CDBG for Entitlements](#)

INTRODUCTION

NOTES

The goal of the Community Development Block Grant (CDBG) program is to develop viable urban communities, provide decent housing, create suitable living environments, and expand economic opportunities for low- and moderate-income persons, with much of this work being done by subrecipients working on behalf of grantees like you.

Projects run more smoothly, finish on time and within budget, and earn praise from the community when your subrecipients comply with federal regulations and requirements, all of which bodes well for future project work. The inverse is true, too: poorly run projects lead to cost overruns, disallowed costs, delays, and bad reputations that can jeopardize future work.

The recommendations and interpretations offered in this Guide are meant to supplement—not replace—the regulations and policies of the CDBG program. Consult the applicable regulations for specific program requirements and your CDBG field representative for further guidance.

PURPOSE OF THIS GUIDE

The Guide will help you, as a CDBG entitlement grantee, to:

- Improve your management and oversight of subrecipient activities; and
- Comply with federal regulations and avoid adverse audits.

In addition to reading through this Guide, make sure you are familiar with CDBG program requirements and these important resources:

- [Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities](#)
- [Basically CDBG for Entitlements](#)

KEY MANAGEMENT CONCEPTS

Effective CDBG programs depend upon your ability to develop *cooperative, problem-solving relationships* with your subrecipients. It is far better to fix the problem than to affix the blame.

The following tips can help you develop good relationships with your subrecipients.

Develop Supportive Partnerships

Your subrecipients are your partners, not your adversaries. Focus your efforts on providing service and management support to your subrecipients. Avoid “us-them” adversarial relationships and “management by intimidation.” If they succeed, you both benefit.

Focus on Continuous Improvement

View monitoring as an opportunity to provide technical assistance and support to your subrecipients. Help them carry out program activities in a timely manner, achieve their goals, and improve their services.

Communicate

Openly and consistently communicate with your subrecipients to develop a complete understanding of what you both want to achieve. Reinforce the rules of the program. Recognize achievements. Acknowledge mistakes.

Emphasize Prevention, Not Cure

Develop agreements around screening, risk assessment, selection, orientation, monitoring, performance standards, and penalties for non-performance which can help you and your subrecipients attain your shared performance objectives and comply with CDBG regulations.

Concentrate on Process

Check in periodically with your subrecipients to confirm that they are complying with program regulations and meeting their performance goals

RULES AND REGULATIONS

You and your subrecipients share joint responsibility for complying with all federal requirements.

The following rules and regulations govern the CDBG program and apply to all CDBG-funded activities.

- [24 CFR 570—Community Development Block Grants](#) details the regulations of the CDBG program. Subparts J and K include the basic program regulations governing the management and financial systems for the CDBG program. These sections apply both to you as a grantee and to all your subrecipients.
 - [Subpart J \(24 CFR 570.500–570.513\)—Grant Administration](#) addresses general responsibilities for grant administration, including the applicability of uniform administrative requirements such as provisions of subrecipient agreements, program income, use of real property, record keeping and reporting, and closeout procedures.
 - [Subpart K \(24 CFR 570.600–570.613\)—Other Program Requirements](#) deals with other federal requirements that may apply to your subrecipients' CDBG-funded activities. All CDBG-funded activities must comply with regulations addressing civil rights, uniform administrative requirements, cost principles, and conflicts of interest. Additional requirements, depending on the activity, may apply: labor standards; environmental standards; flood insurance; relocation; displacement; acquisition; employment and contracting opportunities; lead-based paint; and/or use of debarred, suspended, or ineligible contractors.
- [2 CFR 200—Omnibus Circular](#) governs cost principles, administrative systems, fiscal procedures, and audit requirements for both you as a grantee and your subrecipients. This regulation amended 24 CFR 84 and 85 by removing all their provisions, but it included a “saving provision” that provides all federal awards made prior to December 26, 2014, will continue to be governed by Parts 84 or 85. Detailed information on the relationship of the Omnibus Circular, Part 84, Part 85, and the various OMB Circulars it replaces is included in [Playing by the Rules](#) (Chapter 1).

GRANTEES, SUBRECIPIENTS, AND CONTRACTORS

The CDBG Entitlement Program provides annual grants on a formula basis to entitled cities and counties to carry out a wide range of community development activities directed toward revitalizing neighborhoods, promoting economic development, and providing improved community facilities and services.

Entitlement communities—grantees—develop their programs and funding priorities, often using subrecipients or working with contractors to accomplish their CDBG goals.

Grantees

Eligible entitlement community grantees are as follows:

- Principal cities of metropolitan statistical areas (MSAs),
- Other metropolitan cities with populations of at least 50,000, and
- Qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities).

Eligibility for participation as an entitlement community is based on population data provided by the U.S. Census Bureau and metropolitan area delineations published by the Office of

Management and Budget. The U.S. Department of Housing and Urban Development (HUD) determines the amount of each entitlement grantee's annual funding allocation by a statutory formula that uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas.

Subrecipients

A subrecipient, as defined by 24 CFR 570.500(c), is a public or private nonprofit agency, authority, or organization, or a for-profit agency assisted under 24 CFR 570.201(o) receiving CDBG funds from the grantee or another subrecipient designated by a grantee to receive CDBG funds to carry out CDBG-eligible activities.

- **Private Nonprofits** are usually, but not always, corporations, associations, agencies, or faith-based organizations with nonprofit status under the Internal Revenue Code (Section 501(c)(3)).
- **Private For-Profit Entities** may qualify as subrecipients when carrying out authorized economic development activities ([24 CFR 570.201\(o\)](#)).
- **Community-Based Development Organizations (CBDOs)** may be designated as a subrecipient to carry out special activities such as economic development or new housing construction on behalf of the grantee ([24 CFR 570.204](#)).
- **Governmental Agencies** are quasi-governmental public agencies, commissions, or authorities (such as a public housing authority or a park district) that are independent of the grantee's government. Although they do not meet the definition of a subrecipient, governmental agencies carrying out authorized CDBG activities are treated by HUD as subrecipients and are subject to the same requirements applied to subrecipients ([24 CFR 570.501\(b\)](#)).

If an entitlement community chooses to run its CDBG housing rehabilitation program through its *independent* redevelopment authority rather than assigning it to its own staff, HUD will treat the authority as a subrecipient. This means that the grantee must have an agreement in place that meets the requirements set forth in 24 CFR 570.503—*Agreements with subrecipients*.

- **Units of General Local Government** participating in an urban county's CDBG program and their related agencies are treated as subrecipients. They are subject to the same requirements applied to subrecipients even though they are considered a part of the grantee.
- **Entitlement Grantees** that have entered into a joint agreement with an urban county are also treated as subrecipients.

When a CDBG activity undertaken by an entitlement community is assigned to a department or other organizational unit within the grantees' government, the assigned department is subject to the same requirements as the grantee's subrecipients. As such, HUD strongly recommends the execution of a memorandum of agreement or other inter-departmental agreement which contains much the same provisions as required in a subrecipient agreement ([24 CFR 570.503](#)—*Agreements with subrecipients*).

Contractors

A contractor is competitively selected by a grantee or a subrecipient to provide specified goods or services. CDBG funds are paid to the contractor as compensation for the satisfactory provision of the goods and services specified in the contract.

A contractor hired by you or your subrecipient must be selected in accordance with 24 CFR 200.320—*Methods of procurement to be followed*.

How Subrecipients Differ from Contractors

The distinction between a contractor and a subrecipient is clear: the difference lies in the procurement process and the administrative and monitoring requirements. The procurement process is more rigorous for contractors, while the administrative and monitoring requirements are greater for subrecipients.

Comparison	Subrecipient	Contractor
Selection Process	Designated by grantee following an application or other selection process.	Selected by grantee through a competitive procurement process.
Program Requirements	All CDBG rules and other applicable federal requirements apply.	Requirements of the specific scope of work and select federal rules related to bonding, insurance, and prevailing wages.
Performance Standards	Must adhere to responsibilities detailed in the written agreement.	Must deliver services identified in the contract.
Monitoring	Grantee monitors all aspects of program activities.	Grantee monitors all aspects of the contract.

For example:

- A development firm hired to build a new senior center is a contractor.
- A private or public nonprofit agency running senior service programs at the center is treated as a subrecipient.

There are situations where an entity receiving CDBG funds is neither a contractor nor a subrecipient.

For example, in the following cases, the entity is not carrying out an activity for the grantee, but is specifically eligible to receive the assistance under the regulations:

- an owner (either nonprofit or for-profit) of an apartment building receiving a rehabilitation loan or grant (24 CFR 570.202(b)(1)),
- a for-profit business receiving a loan or grant for an economic development project (24 CFR 570.203(b)), and
- a nonprofit organization or a business receiving relocation payments and relocation assistance (24 CFR 570.201(i)).

[CDBG Memorandum: Distinctions between Subrecipient and Contractor](#)
(September 1993)

SUBRECIPIENT ACTIVITIES

Subrecipients carry out activities that address the diversity of needs of your community's lower-income neighborhoods within the framework of the national objectives of the CDBG program:

- Benefit to low- and moderate-income (LMI) persons
- Aid in the prevention or elimination of slums or blight
- Meet a need having a particular urgency (referred to as urgent need)

[HUD's Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities](#) contains additional information on the national objectives of the CDBG program and eligible CDBG activities.

Most grantees use subrecipients. Some grantees use a limited number of subrecipients to offer services. Others make smaller grant awards, entering into agreements with many subrecipients. The larger the number of subrecipients you use, the greater your administrative responsibilities, and the time spent to oversee and support these organizations.

CONTINUING RESPONSIBILITIES OF GRANTEES

Regardless of how you delegate program responsibilities to your subrecipients, you remain accountable for the administration and monitoring of your CDBG program. Neither the law nor

any CDBG program regulation allows you to give up this responsibility (see [24 CFR 570.501\(b\)](#)).

If you choose to turn the administration of your CDBG program over to a subrecipient, you must have mechanisms in place to determine compliance by the subrecipient with all CDBG program and federal cross-cutting requirements.

MONITORING

The monitoring of subrecipients covers a broad range of administrative, program, and fiscal elements.

This Guide addresses both:

- Generic subrecipient issues that cross all activities and affect fiscal, regulatory, and programmatic performance, such as the need to document compliance with national objectives and to establish the eligibility of activities; and
- Activity-specific issues, with strategies and solutions for addressing hard-to-solve problems such as the proper use of escrow accounts in housing rehabilitation activities or demonstrating that economic development assistance provided to a for-profit business is properly underwritten.

USE OF THIS GUIDE

This Guide includes information on the major steps in selecting, training, managing, monitoring, and supporting subrecipients. Together, these elements make up the basic components of your subrecipient oversight system.

- **Chapter 2: Assessment and Subrecipient Selection** focuses on the assessment and selection of subrecipients before awarding a subgrant.
- **Chapter 3: Subrecipient Agreements** presents recommendations for drafting realistic and useful subrecipient agreements.
- **Chapter 4: Orientation, Training, and Technical Assistance** focuses on how you can use orientation, training, and technical assistance programs to anticipate and resolve monitoring issues.
- **Chapter 5: Monitoring Strategies and Procedures** discusses monitoring strategies and procedures.
- **Chapter 6: Systems and Procedures for Tracking Subrecipient Progress** describes reporting systems and other information tools for tracking subrecipient progress in both fiscal and programmatic terms.

This Guide includes several features to help you identify relevant sections for a specific issue when you monitor your subrecipients:

- “Tips” providing more information on issues noted in the text to improve the efficiency and effectiveness of your oversight system.
- “Pros” and “Cons” of options for addressing particular issues.
- Highlights of how grantees address monitoring responsibilities.
- Summaries of key regulations, sample agreements, checklists, forms, reports, training curricula, and links to online resources.

While we recommend reading the guide in the order presented here, feel free to visit the chapters in the order that interests you most.