Evaluating Subrecipients to Optimize Performance

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1. Introduction

To establish and meet goals in the Consolidated Plan, grantees need not only fund projects that meet these goals but also ensure that subrecipients, the partners often responsible for carrying out these projects, have the capacity to perform as expected. Determining subrecipient capacity is also essential when determining which projects to include in the Annual Action Plan.

This tool is designed to help grantees:

- review subrecipient performance in relation to meeting goals for the subrecipient and/or project,
- measure the productivity of subrecipients,
- assess the effectiveness of subrecipients' projects,
- determine the capacity of subrecipients to carry out new activities to meet future needs and achieve goals.

> This tool is a companion to the *Matching Priority Needs with Activities Tool* which can be used to evaluate the effectiveness of existing projects in meeting priority needs, and *Using Reports to Assess Progress and Inform Planning*, which illustrates how to use the CAPER and other reports to help maximize the investment of CPD program funding.

The tool will help grantees answer these questions:

- ✓ Do subrecipients have the capacity to carry out existing projects and meet goals?
- ✓ Do subrecipients have a proven history of carrying out activities effectively, efficiently, and in a timely manner?
- ✓ Do subrecipients need training from the grantee to build capacity or do their projects need to be modified to achieve greater outputs and outcomes?
- ✓ Have the right partners been identified to carry out projects? If not, do other partners need to be found that have the capacity to carry out projects that achieve the desired outcomes?

Measuring subrecipient performance will help grantees and subrecipients make better decisions about program design and implementation and improve such things as:

- Guidelines and procedures for addressing targeted needs
- Efficiency and effectiveness of implementation
- Systems of accountability and quality control

Common Challenges and Responses

Conducting an objective and thorough evaluation of subrecipient partnerships can be difficult. The following chart summarizes some issues that may affect the grantee's assessment and presents possible ways to mitigate the challenges.

Common Challenges	Potential Responses
Identifying who serves underserved neighborhoods or populations can be difficult.	• Ask existing partners for referrals • Ask community leaders for referrals • Use an RFQ/RFP process to solicit partners
Existing partners may be resistant to change and may feel threatened by potential loss of influence and/or funding.	• Meet with political leaders to explain need to expand/change partners • Quantify and promote potential positive results of expanding/changing partners • Provide training or other resources to help current partners expand their capacity
There may be more potential partners than are needed to deliver the program, including some with political support but low capacity.	• Use a detailed RFQ/RFP process with objective scoring to choose partners • Recruit scorers with no stake in the outcome to help review RFQ/RFP responses
It may be hard to evaluate partners' skills, particularly if they have not previously been involved.	• For existing partners, use a questionnaire to evaluate performance • Use a detailed RFQ/RFP process with objective scoring *(Note: NSP Toolkits offer several examples)* • Ask for and check references
The grantee may lack the staff capacity to manage partners or funding sources.	• Provide training to expand staff capacity • Reassign staff or hire new staff to expand capacity

2. Methods for Gathering Performance Information

Subrecipient reports are the most accessible source of performance information. Subrecipients should be required to submit periodic reports measuring their progress towards meeting outcomes or goals during their contract period, even though reporting is not a statutory requirement. Information reported should include the goal outcome indicator, the Consolidated Plan unit of measure for meeting the goal, and the quantity of each measure the subrecipient has committed to meet.

For example, a subrecipient that receives ESG funds for the operation of a homeless shelter may use the goal outcome indicator of "Homeless Person Overnight Shelter," with the unit of measure "Households Assisted." For example, a subrecipient that planned to serve 300 households in a year should be required to submit periodic reports showing how many households have been served with emergency shelter within the reporting period. The reports should also include the total grant amount, grant funds spent to date, and funds remaining. If services are being provided, the report should include a description of the services and a breakdown of the number of households receiving each service offered. For more information on designing reporting tools, see *Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems*, Chapter 5, "Record Keeping and Reporting Requirements" https://www.hudexchange.info/onecpd/assets/File/Playing-by-the-Rules-Handbook-CDBG-Subrecipients-Administrative-Systems-Chapter-5.pdf.

Grantees are also required to monitor current subrecipient projects to ensure that they meet federal program requirements and contract obligations. *Using Reports to Assess Progress and Inform Planning* discusses best practices for using IDIS, PER, CAPER, and other HUD program reports to assess grantee and subrecipient progress towards meeting goals. These include IDIS reports such as the Con Plan Goals and Accomplishments (Microstrategy) report.

In addition to these tools, other methods can be used to collect information concerning the performance, effectiveness, and capacity of existing and potential subrecipients. These methods are described below and can be used when the grantee has determined its priority needs and goals in the Consolidated Plan and is reviewing current projects or soliciting new projects to meet its goals. The methods can also be used as part of the ongoing monitoring process during and at the end of a project. The following table describes each technique and its best use. Some methods, like property inspections, are already required by HUD.

Common Methods for Collecting Subrecipient Information

Method	Description	Best Uses
On-site observations and inspections	Grantee must inspect housing unit and properties, and should observe other activities such as public service programs.	For buildings, the grantee can determine the quality of construction and level of completion, as well as confirm that all proposed elements are built according to the construction specifications, including special features such as accessibility, community spaces, and parking.
Interviews with subrecipients and other partners	Subrecipients and partners can provide information not found in written reports, such as program operation challenges, capacity challenges and availability of key trained staff, knowledge of the project and program rules, and potential program improvements to better meet goals.	Often a dialogue with subrecipients to review program progress, achievements, and ability to meet grantee goals provides more insight into how goals are being met than written reports do. By interviewing a variety of agency and partner staff, the grantee may also get a variety of perspectives about how the program or project is or is not meeting community needs. Because comments from subrecipients and partners can be subjective, the grantee must follow up on concerns raised in interviews by reviewing accompanying observations, data, and agency operations. This method should be used in conjunction with other methods.
Focus groups	Recipients of services or residents of housing units and neighborhood residents can provide feedback on how well a project or subrecipient is meeting needs and goals.	Residents or recipients of services can provide insight into whether goals are being met by, for example, reporting if the neighborhood seems safer after streetlights are installed, if they can find a job after participating in job training services, or if school performance improves as a result of after school tutoring. They can also provide suggestions for improving services that will help achieve desired outcomes.
Surveys or questionnaires	Like focus groups, surveys and questionnaires specific to a goal, need, or project can also provide feedback from residents and recipients of services. Surveys can also be used at the neighborhood or city level to gather general feedback about outcomes.	Surveys and questionnaires can be developed to gather feedback about a specific program provided by a specific agency. They are also a cost-effective way to gather input and feedback from a larger group of citizens, such as those in a geographic target area, or all seniors who use senior centers throughout a city. Questions should be carefully designed to gather specific feedback, and should be available in a format that is accessible to the audience from which the feedback is solicited.

3. Establishing Performance Indicators

Grantees should establish performance indicators to measure subrecipient effectiveness and ability to produce outputs that meet goals. These indicators should be:

- clear and understandable,
- measurable over time, and
- related to priority needs and goals established in the Consolidated Plan.

Examples of indicators include the following:

Housing	Number of affordable rentals produced or assisted
Job Training	Number of persons trained
Public Services	Number of low-income seniors receiving meals on wheels
Public Facilities	Weekly hours of use for recreation center

The outputs established for each subrecipient's projects should help the grantee measure progress towards meeting goals. For instance, if three organizations providing senior meals are given an increase in CDBG funding for the year, the number of low-income seniors receiving meals should increase as well. Subrecipient performance towards meeting goals can be tracked over time using indicators.

4. Measuring Cost Efficiency

Cost efficiency is one way of measuring project effectiveness. A table like the one shown below can be used to conduct a quick analysis of the cost efficiency of each subrecipient that provides a service or implements a project. The average cost per unit of measure can be used as a benchmark against which subrecipient costs of delivery can be compared. This information can be used when reviewing multiple applications for funding the same type of activity in the grantee's jurisdiction. The analysis can also be used during the program year. If grantees are having difficulty meeting the outcomes stated in their funding contracts, they could determine whether costs are outside the norm for similar projects, thereby explaining reduced service levels. Such an analysis may also be used at the end of a program year to determine which providers have the most cost-efficient programs. The grantee may decide to provide more funding to these providers in the upcoming Annual Action Plan or help other agencies duplicate project elements that have driven the cost savings.

Grantee Name	Project Name	Unit of Measurement	Total Quantity	Total Cost	Cost/Unit of Measure	Comments*

*Comments should include additional factors that may explain cost or production differences between subrecipients.

Extenuating factors may account for cost differences between projects and such factors should be examined by the grantee after an initial review of cost efficiency. For example, senior meal delivery is often more expensive in rural communities where providers must travel longer distances between homes than in denser urban areas. Or the population group served by one housing counseling agency may need more services than the group served by another agency, increasing counselor time and cost. The grantee should consider these factors during a cost efficiency review.

5. Determining Staff Capacity

Staff and agency team capacity is an important factor to consider when reviewing subrecipient performance. The grantee should be in contact with subrecipient staff throughout the program year to discuss progress. At the time new applications for funding are being reviewed, and at least annually after funding awards are made, the grantee should conduct a staffing capacity review that addresses the following questions:

- ✓ Is the current staff the same staff that has historically worked on the project, and if not, why did staff turn over?
- ✓ Does the team managing the project have the background necessary to provide the proposed services or undertake the proposed project or development?
- ✓ Are there enough team members to provide all services described in the contract?
- ✓ Does the agency have stable leadership that provides the necessary oversight and guidance to the project team?
- ✓ Is the team knowledgeable about program rules and program tracking and reporting requirements?
- ✓ Do accounting and contracting staff understand federal rules that apply to the programs?
- ✓ Does staff seek and receive training when necessary to learn new skills and program requirements?
- ✓ Does the agency team work well with other agencies and the grantee to meet community goals?

Where Are the Gaps in Skills and Resources?

To identify gaps in skills and resources, the grantee must first define the overall goals of the program (e.g., rehabilitating 50 houses, developing 75 new units of supportive housing for chronically homeless persons, creating a job counseling program) and then do the following:

- Identify the skills and resources needed to achieve the goals (e.g., lending capacity, down payment assistance, marketing and outreach, compliance with HUD requirements).
- Identify the administrative support needed for program management and oversight.
- List the skills and resources the subrecipient can make available.
- Identify the gaps in skills and resources.
- Identify existing or new partners that can address the identified gaps in skills and resources.

If the answers to the above questions show gaps in capacity, the grantee should determine if training would help increase capacity, or whether even with training the subrecipient would not have the ability to carry out the activity.

6. Determining Capacity to Carry Out New Projects

The grantee should also make sure that subrecipients have the capacity to carry out new projects. If not, the grantee may want to seek out another partner, provide training to ensure that projects are run effectively, or rethink its priorities if no organization is capable of carrying out the chosen activities during the next program year.

Assessing Capacity to Carry Out New Projects

Question	Documents to Review	Information Used to Make Assessment	Determination
Is the proposed cost of the project efficient in meeting needs compared to other programs or projects that could meet the same needs?	Application materials, PER or CAPER reports for other related projects if available; use Using the Required Reports to Assess Progress to assist with this review.	Comparison of proposed project performance measures and cost per unit of service for similar past projects against baseline measures	
Is the subrecipient project already in existence? If so, has it been effective in delivering services or units in the past?	Application materials, interviews, site visits	Effectiveness in changing baseline measures established above	
Does the agency or developer team have the background and experience to deliver outcomes?	Team background, list of past projects, other application materials, information from past grants, interviews, site visits, focus groups, client surveys	Performance of program team based on agency assessment, material and document review, interview questions, or presentations by staff	

What Are the Benefits of Staying with the Same Partners Versus Bringing in New Ones?

There are benefits and drawbacks of continuing with current partners versus bringing in new ones. The table below highlights some of these.

	Current Partners	New Partners
Benefits	• Known staff capacity • Clear ability to deliver on leveraged resources • No learning curve • Established track record • Recognition within the community • Lower initial grantee administrative burden	• Potential for new skill sets • Potential for leveraging new resources • Potential for reaching new/ underserved populations • Potential for serving new geographies • Potential for delivering new services • Excitement or "hunger" for participating
Drawbacks	• Capacity may have changed as staff changed roles or left the organization • Organization's mission may have changed, decreasing commitment to program • May have preference for "doing it the way we always have" • Performance may be lagging	• Need to determine staff capacity • Learning curve • Track record may be limited • Higher initial grantee administrative burden

7. Incorporating Evaluation into the Application and Contracting Process

To make evaluation an integral part of the planning and funding process, the grantee should design its NOFA or RFP materials to include evaluation and performance. Under the description of the proposed project, applicants should be asked to describe the community need, the activity, the client-based outcomes, and the measurement tools for evaluation. If it is an existing project, the RFP can ask applicants to describe outcomes, include a best practice or case study that describes the work, and discuss broader community impact of the program. The NOFA or RFP should state clearly that the results of the evaluation reports will be made available to those reviewing funding applications. Grantees may choose to include their own outcome measure expectations in the NOFA or RFP documents (see *Matching Priority Needs with Activities Tool*) or ask the applicant to provide its own.

The following questions could be included:

- ✓ **Community need:** What problem, issue, or opportunity does this project seek to address?
- ✓ **Goals:** What is the purpose of the project? Will the activities meet a priority need and goal of the grantee?
- ✓ **Capacity:** Does the subrecipient have the expertise and proven track record to complete the project?
- ✓ **Resources:** What resources (e.g., funding, personnel, facilities) are dedicated to the project? What funds will be leveraged?
- ✓ **Activities:** What will be done to accomplish the goals?
- ✓ **Outputs:** How many of each activity will take place and how many people will be served?
- ✓ **Outcomes:** What changes in knowledge, condition, or status are expected during or after the project?
- ✓ **Indicators:** What measurable indicators do the partners agree indicate success?

8. Achieving Strategic Goals Through Subrecipient Partnerships

To maximize resources and leverage funding, expertise, geography, and capacity, potential new linkages or missing linkages between subrecipients should be identified. Grantees and subrecipients should be creative in finding ways to work together in a manner that increases service levels, reduces redundancy, and provides cost savings. Subrecipients may offer complementary programs that could benefit from a formal or informal cross-referral system. Cost savings may be possible for multiple organizations that could share space or staffing. The grantee can review existing or proposed projects and partnerships and develop a list of ideas to share with partners. They may also want to gather partners with similar or complementary programs to brainstorm ways to create partnerships.

Grantees can use a table like the one below to note considerations for linkages and the potential linkages they see between subrecipient activities.

Determining Linkages between Subrecipient Activities

Consideration	Fact #1	Fact #2	Fact #3	Partnership
Are homebuyer counseling and down payment assistance offered throughout the jurisdiction?	Anytown Housing Inc. provides down payment assistance city-wide and homebuyer counseling.	Agency A provides homebuyer counseling with a focus on Spanish-speaking households.	Agency B provides homebuyer counseling in the north central area of the city and is located in a low-income neighborhood that has a concentration of African American households, a group with disproportionate need.	Anytown Housing will focus on providing down payment assistance loans and will send applicants to Agency A and B for counseling services. These two agencies will serve the entire city and all low-income population groups.
Can low-income families access daycare and before and after school care near their home or work?	Children First is located in an old building near many employers and offers subsidized daycare. The building is expensive to heat and bigger than the organization needs.	The building can be rehabilitated and made energy efficient. Space can be divided to create classrooms for after school programs serving older children.	Agency C provides after school programs at a church on the southern edge of the jurisdiction. Children must be bused to the facility. The agency does not provide before school childcare.	The grantee works with Children First and Agency C to expand after school programs in the Children First building, which is closer to where parents work and where they can pick up and drop off children of all ages. The agency begins to offer before school programs.
Are the homes being rehabilitated by the grantee's housing rehabilitation program energy efficient?	The program construction staff does not have the knowledge to include energy efficiency in their work write ups and construction specifications.	The local agency that provides weatherization services only serves applicants to their program but has an excellent reputation and track record.	Many of the applicants for each program could qualify for the other program as well.	The grantee encourages the two programs to work together, providing referrals, streamlining application processes that can include both services and cross-training the two agencies.