[Grantee] Subrecipient Management Training

January 2020

HUD CDBG-DR
Technical Assistance

Agenda

- What is a Subrecipient?
- Elements of Subrecipient Management
- Training, Technical Assistance, and Feedback
- Tools for Subrecipient Management

What is a Subrecipient?

[Grantee]'s Use of Subrecipients in CDBG-DR

- [Grantee] is responsible for ensuring the implementation of CDBG-DR-funded projects and programs outlined in the Action Plan

- [Grantee] may carry out eligible activities directly through employees or contractors or award funds to other "implementing partners" called subrecipients

- Subrecipients receive CDBG-DR funds from [Grantee] to undertake CDBG-DR eligible activities on [Grantee]'s behalf

What is a Subrecipient?

- Subrecipients can be:
  - Public/government entity, authority, or organization
  - Nonprofit organizations
  - Community-based development organization
- Subrecipients have been determined by [Grantee] .
  - Responsible for carrying out program activities
  - Responsible for meeting Federal program requirements

What *are NOT* Subrecipients?

- **Contractors**
  - Must be competitively procured and complete a specific scope of services

- **Developers**
  - May be awarded funds for a specific development
  - Can be either for-profit or nonprofit entities
  - Are typically organized for a single purpose or undertaking.

- **For-Profit Businesses**
  - May be a privately or publicly held entity receiving funds as a program beneficiary (e.g., business loan program)

Subrecipients vs. Contractors

Subrecipients

- Designated/selected by the grantee

- Subject to all applicable administrative, financial & cross-cutting rules

- Must adhere to written agreement outlining responsibilities

- [Grantee] monitors all aspects of program

Contractors

- Must be selected through a competitive procurement process

- Subject to requirements for the specified scope of work

- Required to deliver services identified in the contract

- [Grantee] monitors performance of services in contract

Elements of Subrecipient Management

Why is Subrecipient Management Important?

1. As the grantee, [Grantee] is responsible for ensuring that all CDBG-DR funds are spent in a compliant manner.

2. It is the agency's job to make sure that subrecipients are following the rules, undertaking the activities, and achieving the recovery goals outlined in the Action Plan.

Purpose of Subrecipient Management, Part 1

[Grantee] is responsible for ensuring that subrecipients are in **regulatory compliance** with:

- Eligibility of activities through regulations and waivers
- Achieving National Objectives
- How the activity addresses a need from the disaster
- Prevention of duplication of benefits
- Prevention of fraud, waste, and abuse
- Procurement, labor standards, and other cross-cutting requirements

Purpose of Subrecipient Management, Part 2

In addition to regulatory compliance, [Grantee] must manage subrecipients to:

- Improve **performance**

- Ensure **timeliness**

- Improve **project management**

- Address **monitoring** issues

- Improve **communications**

- Avoid **audit** issues

Subrecipient Management Touch Points

Program Progress

Regulatory Compliance

Financial Oversight

SUBRECIPIENT MANAGEMENT
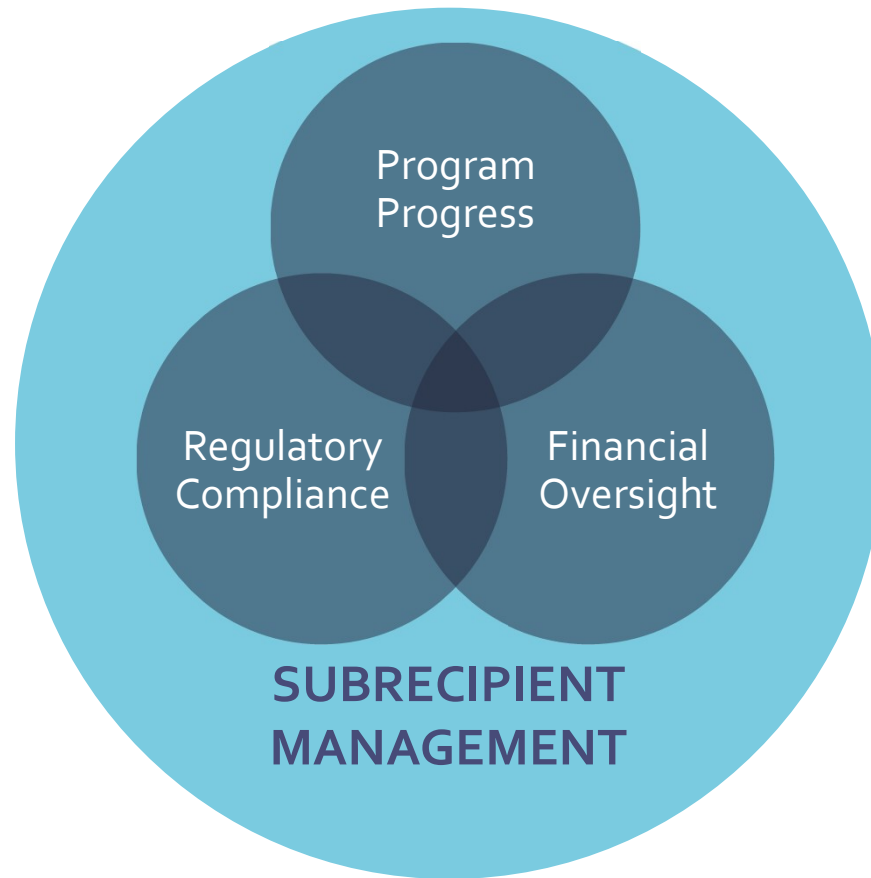
[Grantee] Staff Responsibilities

[Grantee] Staff	Responsibilities
Leadership	• Approves subrecipients and projects • Signs grant agreement • Approves payment requests • Reports performance to HUD
Compliance and Monitoring	• Conducts capacity assessments • Monitors performance against grant agreement • Reviews status reports • Conducts training and TA and provides feedback to subrecipients
CDBG-DR Program Staff	• Determine subrecipient and project eligibility • Assess project feasibility • Assists in monitoring subrecipient performance
Finance	• Conduct financial and staffing capacity review • Review subrecipient budgets and payment requests • Distributes payments
Legal	• Prepares subrecipient agreement • Assists in resolving monitoring findings
Cross-Cutting Staff	• Monitors compliance with specific cross-cutting regulations

Monitoring & Tracking Subrecipient Performance

[Grantee] will monitor and track the performance of subrecipients and projects through:

- Capacity and risk assessments
- Documentation in the original Subrecipient Agreement
- Training & Technical Assistance
- Review of financial statements and audits
- Required monthly status reports
- Requests for payment
- Onsite monitoring visits and desk reviews
- Regular communication (telephone, email, in person) between the grantee and the subrecipient
- Coordination with program managers

Stages of Subrecipient Management

Training and Technical Assistance

Capacity Assessment

Subrecipient Agreement Execution

Project Application & Execution

Risk Assessment

Monitoring Performance & Providing Feedback

Training & Technical Assistance

[Grantee] provides training and technical assistance to subrecipients throughout capacity assessment, project application, and implementation

- All subrecipients participate in an initial **orientation session(s)** to ensure understanding of general CDBG/CDBG-DR requirements

- **Ongoing training and technical assistance** on more detailed requirements is provided to subrecipients as needed on:
  - Financial management
  - Environmental review
  - Labor standards
  - Specific program areas
  - Reporting and recordkeeping

Discussion

True or False?

- It is the grantee's responsibility to make sure that a developer complies with CDBG-DR regulations.

- Subrecipient management is mostly the responsibility of the Compliance & Monitoring staff.

- [Grantee] staff may visit project sites as part of subrecipient management.

Tools for Subrecipient Management

Tools for Subrecipient Management

- Capacity Assessment
- Subrecipient Agreements
- Status Reports & Payment Requests
- Monitoring

Capacity Assessments

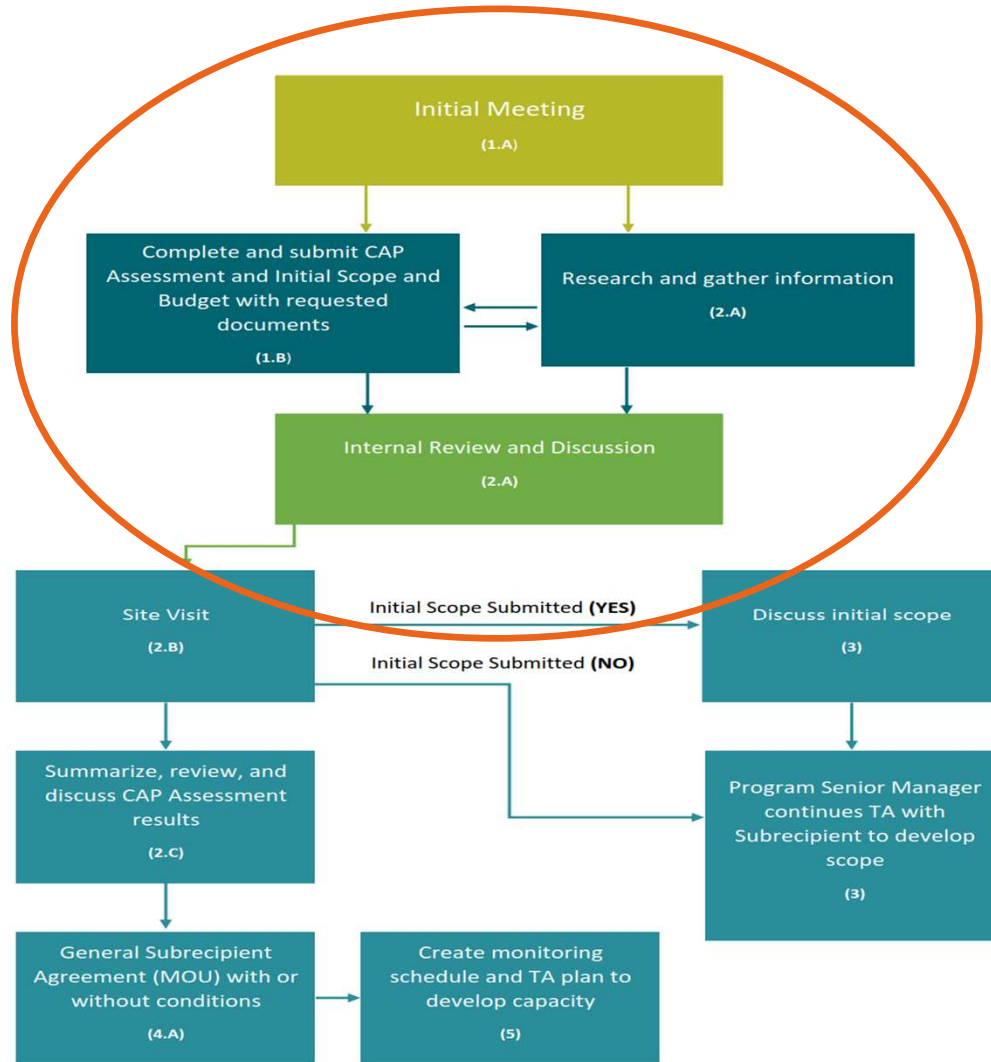# Purpose of Capacity Assessment

Prior to executing the grant agreement, [Grantee] performs an assessment of all subrecipients to:

- Determine any gaps in capacity and areas of risk within the organization.

- Understand level of compliance with rules and regulations

- Develop recommendations of corrective actions to address identified capacity gaps

- Identify any needed special conditions to the agreement

Capacity Assessment Areas

- **Grant management history** (track record)
  - Monitoring reports
  - Office of Inspector General (OIG) audits

- **Staffing**
  - New or experienced
  - Turnover rate

- **Program & activity experience**
  - Knowledge of CDBG/CDBG-DR
  - Management of similar programs & activities

- **Financial and tracking systems**
  - Adherence to uniform financial standards (2 CFR 200)
  - Invoice and payment functionality
  - Audit reports (A-133/2 CFR 200)

- **Contractor oversight**
  - Knowledge of procurement requirements
  - Monitoring systems
  - Understanding of and adherence to scope of service

Capacity Assessment Process

Initial Meeting
(1.A)

Complete and submit CAP Assessment and Initial Scope and Budget with requested documents
(1.B)

Research and gather information
(2.A)

Internal Review and Discussion
(2.A)

Site Visit
(2.B)

Initial Scope Submitted (YES)

Initial Scope Submitted (NO)

Discuss initial scope
(3)

Summarize, review, and discuss CAP Assessment results
(2.C)

Program Senior Manager continues TA with Subrecipient to develop scope
(3)

General Subrecipient Agreement (MOU) with or without conditions
(4.A)

Create monitoring schedule and TA plan to develop capacity
(5)

Results of Capacity Assessments

- Capacity assessments result in:
  - A risk-based score for each subrecipient
  - Risk factors that need to be monitored throughout the life of the agreement
  - Monitoring schedule

- [Grantee] has completed initial capacity assessments for ten subrecipients

Exercise

- Review the Capacity Assessment risk scores for an existing subrecipient

- Review the risk factors identified in the capacity assessment

- Identify two special conditions that [Grantee] might want to include in the subrecipient agreement

Subrecipient Agreements

Subrecipient Agreements

- [Grantee] must **execute written agreements** with each subrecipient before any funds are distributed

- The written agreement must **remain in effect** during any period that the subrecipient has control over any CDBG-DR funds

- Subrecipients will enter into a **base grant agreement** for the overall agency
  - Each project will have its own project agreement as an amendment to the grant agreement

Executing a Subrecipient Agreement
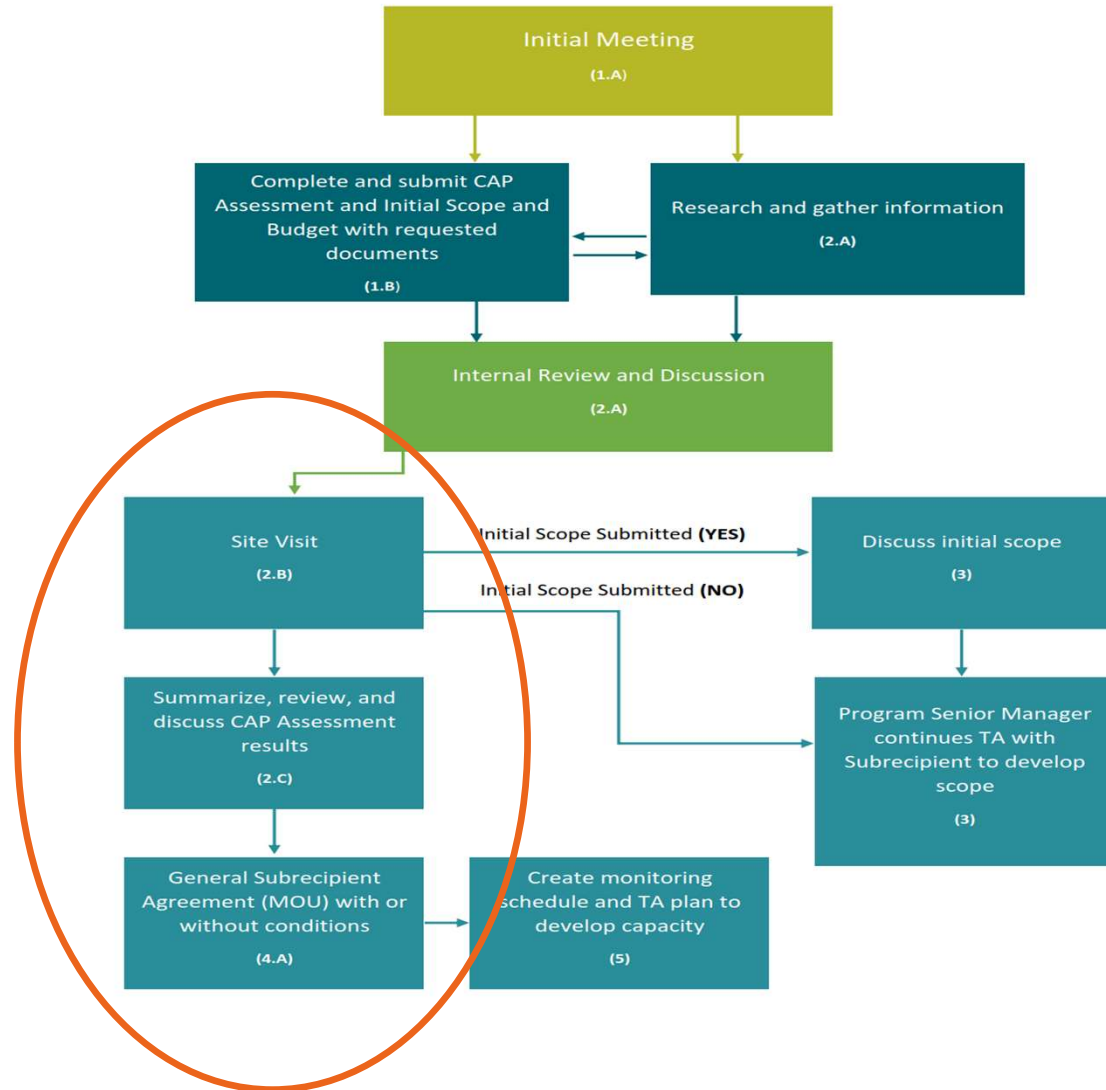
Subrecipient Agreements

- Legal documents to convey all applicable **requirements**, **roles,** & **responsibilities of the** subrecipient and [Grantee]:
  o Statement of work/scope of services
  o Period of performance
  o Records to be maintained, required reports
  o Uniform administrative and financial requirements
  o Cross-cutting requirements
  o Provisions on suspension/termination

- [Grantee] using a two-step process
  - General agreement with Special Conditions
  - Project Addendum

- May be **amended** over time as necessary

Subrecipient Agreement Provisions

- Compliance with CDBG-DR eligibility and national objective
- Uniform Administrative and Program Management Standards
- Financial Management Standards
- Audits
- Conflict of Interest
- Procurement Standards and Methods
- Environmental Issues
- Compliance with Laws/Regulations
- Monitoring procedures
- Use and Reversion of Assets
- Suspension and Termination
- Grant Closeout Procedures

Subrecipient Agreement Appendices

- Appendix A: [Grantee] 's General Conditions of the Contract
- Appendix B: HUD General Provisions
- Appendix C: Special Conditions
- Appendix D: Project Agreement(s)
- Appendix E: Payment Requirements and Draw Requests
- Appendix F: Monthly Performance Reporting
- Appendix G: Records Requirements and Retention
- Appendix H: Board Authorizations if required
- Appendix I: Notice to Proceed

Subrecipient Agreements as a Tool to Monitor Performance

- [Grantee] staff will **compare actual progress with the terms of the grant agreement** to determine whether the subrecipient is carrying out the activities as approved, on time, and within budget

- **Performance standards and milestones,** and **how payments are tied to performance**, should be clearly stated in the agreements

- Agreement may include **special conditions** that the subrecipient has to meet in order to be paid

Project-Specific Addendums

- The base subrecipient agreement is for the subrecipient organization only and does not include any statement of work that will be completed

- **Approved projects are added as an addendum** to the subrecipient agreement

- No work can begin until a project application is received, assessed, and approved

Process for Project-Specific Addendums

Initial Meeting (1.A)

Complete and submit CAP Assessment and Initial Scope and Budget with requested documents (1.B)

Research and gather information (2.A)

Internal Review and Discussion (2.A)

Site Visit (2.B)

Initial Scope Submitted (YES)

Initial Scope Submitted (NO)

Discuss initial scope (3)

Program Senior Manager continues TA with Subrecipient to develop scope (3)

Summarize, review, and discuss CAP Assessment results (2.C)

General Subrecipient Agreement (MOU) with or without conditions (4.A)

Create monitoring schedule and TA plan to develop capacity (5)

Project-Specific Addendums

Included in each project-specific **Addendum:**

- Verification of CDBG-DR eligibility of the specific activity National Objective compliance for specific project activities

- Scope of Work

- Time of Performance

- Personnel Assigned to Scope of Work

- Budget

- Program income

- Project schedule/milestones

- Compensation and method of payment

Status Reports & Payment Requests

Subrecipient Monthly Status Reports

Subrecipients are required to submit monthly status reports to program staff that includes:

- Progress toward performance measures established in the **written agreement**

- Data required by **regulations**

- **Tracking of CDBG-DR funds**

- Data required to be reported in the QPR to HUD

- **Other data**, as desired

Monthly Status Report

SECTION 6-A. LOW & MODERATE INCOME NATIONAL OBJECTIVE

	A. Total Beneficiaries This Report	B. Total Beneficiaries Cumulative
LMI Area Benefit (LMA)	total persons	total persons
	LMI persons (%)	LMI persons (%)
LMI Limited Clientele (LMC)	persons	persons
LMI Housing (LMH)	households	households
LMI Jobs (LMJ)	total Jobs	total Jobs
	LMI Jobs (%)	LMI Jobs (%)

SECTION 6-B. SLUM & BLIGHT NATIONAL OBJECTIVE

Slum and Blight on an Area Basis (SBA)	☐ Yes ☐ No
SBA Compliance Review Record (Application, Exhibit F-1)	☐ Attached
Has the Area been officially designated as Slum or Blighted by local/county government?	☐ Yes ☐ No
Is there proper documentation for designation?	☐ Yes ☐ No

Designated year		Re-designated year	
Number of Qualified Buildings/ Properties		% of Buildings/Properties	

SBA NATIONAL OBJECTIVE BENEFICIARIES

	A. Total This Report	B. Total Cumulative
Number of Businesses Assisted		

Slum and Blight on an Spot Basis	☐ Yes ☐ No
SBS Compliance Review Record (Application, Exhibit F-2)	☐ Attached
Verify the Spot is not located in an officially designated SB Area.	☐ Yes ☐ No
The Activity eliminates specific conditions detrimental to public health and safety.	☐ Yes ☐ No

SBS NATIONAL OBJECTIVE BENEFICIARIES

	A. Total This Report	B. Total Cumulative
Number of Businesses Assisted		

SECTION 11. INDICATOR / BENEFICIARY DATA

Activity	Outcome Indicator	A. PROPOSED		B. THIS REPORT		C. CUMULATIVE	
		LMI	TOTAL	LMI	TOTAL	LMI	TOTAL
1) Planning	* Total Number of persons assisted:						
2) Public Facility and/or Public Infrastructure Activities	* Total Number of persons assisted:						
	a. With new access to a facility or infrastructure						
	b. Assisted with improved access to a facility or infrastructure						
	c. That no longer have access to ONLY a substandard facility or infrastructure						
3) Rental Units	*Total number of units:						
	a. Number of affordable units						
	b. Total # units meeting section 504						
	c. Number of units created through conversion of nonresidential buildings to residential buildings						
	d. Number of units brought from substandard rehab						

Review of Monthly Status Reports

Monthly report responsibilities:

- **Provide** a monthly status report template to subrecipients

- **Notify** a subrecipient within 5 days if a report is not submitted on time or is not completed correctly

- **Share** monthly reports with appropriate Compliance and Monitoring staff and other program staff

- **Address** any identified issues with the program manager and the subrecipient

- **Compare** monthly reports with requests for payment

- Use the data to populate the required Quarterly Progress Report to HUD

Tracking Through Payment Requests

- Payment requests provide insight about the **status of the subrecipient's operations** and whether projects are being carried out **on schedule** and **within budget**.

- The **subrecipient** should follow procedures detailed by [Grantee] to **request CDBG-DR funds**.

- The **subrecipient** should submit **source documentation** (invoices, etc.) to support the expenditures claimed.

- **[Grantee]** can **determine the subrecipients'** rates of spending in their various activity areas or budget categories through payment requests and draws

Monitoring

[Grantee]'s Subrecipient Monitoring Responsibilities

- [Grantee] is responsible for:
  o Performing **desk reviews** (file reviews) and **onsite monitoring**
  o **Providing feedback to** subrecipients on the results of monitoring
  o Providing appropriate **support** or **sanctions**

Principles of Subrecipient Monitoring

- Effective CDBG-DR programs depend upon ***cooperative, problem-solving relationships*** between grantees and subrecipients that includes:
  - **Open and consistent communication**(both formal and informal)
  - **Ongoing technical assistance and support**
  - **Progress updates**

Risk-Based Monitoring Schedule

Capacity Assessment Determination	Desktop Monitoring Schedule	Onsite Monitoring Schedule (At Least)
Very High	Weekly – Monthly	Monthly
High	Weekly – Monthly	Monthly
Medium	Monthly	Quarterly
Low	Monthly	Twice before project closeout
Very Low	Monthly	Once before project closeout

Providing Support & Feedback to Subrecipients

Proving Feedback to Subrecipients

- **[Grantee]** is responsible for **following up** with subrecipients regarding:
    - Results of monitoring
    - Program management or compliance issues
    - Status reports and Payment requests

- [Grantee] must **communicate all information learned**, especially the results of monitoring visits, to subrecipients in a timely manner to ensure issues are addressed promptly.

- [Grantee] should have a feedback loop to provide feedback to subrecipients, to staff, and to HUD, as needed.

Risk-Based Monitoring Schedule

- Capacity and risk assessment helps to **determine when to conduct onsite monitoring and desk reviews**

- HUD encourages grantees to monitor subrecipients *at least annually*
  - Monitor more frequently based on risk assessment

- Use **HUD monitoring checklists** as a resource
  - [Grantee] has modified these

Subrecipient Feedback Loop

Not in compliance? [Grantee] issues progressive sanctions

[Grantee] conducts monitoring activities

[Grantee] identifies performance issues or areas of noncompliance

[Grantee] informs subrecipients of findings

[Grantee] staff provide training and TA to subrecipient

Subrecipient improves performance or becomes in compliance
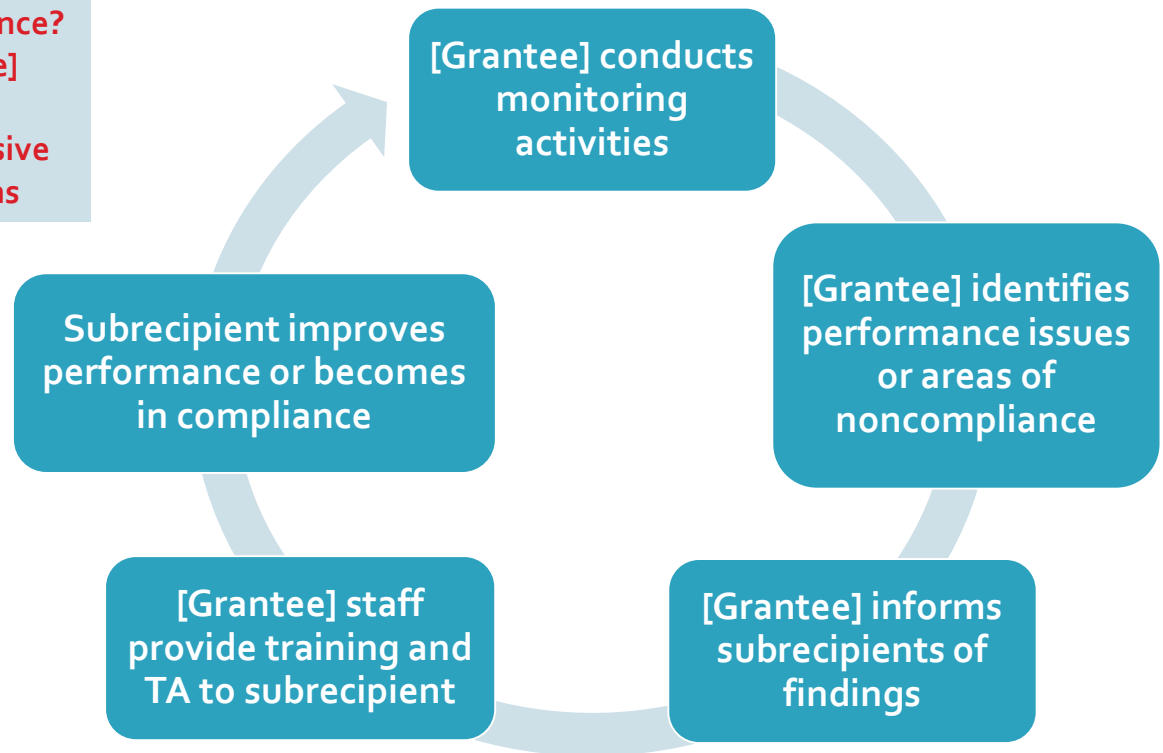
Progressive Sanctions

The **principle of progressive sanctions:**

- **Identification and discussion** of problem areas in the subrecipient's operations as early as possible.

- Involves a **gradual escalation of penalties** for continued poor performance

- Affords the subrecipient a **reasonable opportunity** at each stage to settle the problem **before** more serious sanctions are considered.

Most problems and issues can be resolved

when they are still minor!

Discussion

- What can [Grantee] do when a subrecipient is out of compliance or not performing?

- How can [Grantee] get ahead of issues that may lead to non-compliance or underperformance?

- What are some of the incentives/penalties that [Grantee] can provide to ensure compliance and performance?

Questions?

Project Application Review Discussion

January 2020

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Determining Eligibility of Subrecipients & Projects

Questions that [Grantee] should ask before conducting a capacity assessment:

1. Is this an eligible subrecipient?

2. Is this proposed project in the Action Plan?

3. Is there funding set aside from this project (award, tranche)?

4. How likely is it this project will be implemented in the next one to two years?

If the answer to any of these questions is no, [Grantee] should table the application and not conduct a capacity assessment.

Project Application Review Process

Subrecipient submits DR application to respective Program Manager or Senior Program Manager for review

Program Managers reviews the completed DR. Signs and date and forwards to the Senior Program Manager.

Senior Program Manager initials and date the application signifying their review then forwards the application to the NEPA Specialist.

NEPA Environmental Specialist reviews the application, initials and date then forwards to Compliance and Monitoring Unit for review and approval.

If No

Questions, Concerns and/or Additional Information refer back to Program and/or Senior Manager

Compliance and Monitoring Specialist reviews completed DR Application ensuring it meets all CDBG-DR eligible requirements then sign, date and forward to the Senior Compliance and Monitoring Manager for further review.

Compliance and Monitoring Senior Manager reviews the application, initials and date then forwards to DR CFO for approval.

The DR CFO reviews the application, signs and date to be submitted to the DR Director

The DR Director reviews the DR application and ensure that all signatures have been captured.

Executive Director reviews the DR Application