STATE OF CALIFORNIA
OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT

Monitoring Review Preparation and Documenting Compliance Webinar
Frequently Asked Questions
June 8th and 9th, 2022

Webinar – Day One

Introduction/Goals and Objectives

1. **Will these slides and recordings be made available after the webinar?**

   Subrecipients who registered for the webinar have received a copy of the presentation slides. HCD also anticipates releasing the webinar recordings on their Disaster Recovery and Mitigation – Grant Administration and Reporting webpage within three weeks of the webinar date. Both the slides and recordings for Day One and Day Two will be located here.

2. **What should subrecipients learn from Day One material?**

   Subrecipients should gain a better understanding of three aspects of the HCD monitoring review:

   - *The monitoring engagement process and their role within a monitoring review,*
   - *Expectations for document standards during a monitoring review, and*
   - *How Grants Network is used as a recordkeeping and document collection tool for monitoring reviews.*

Monitoring Considerations and the Monitoring Engagement Process

3. **What type of relationship between HCD and subrecipients exist during a monitoring engagement?**

   HCD considers the relationship to be a partnership, one which allows the monitoring engagement to serve as a time for the subrecipient and HCD to review project and grant compliance status. While HCD monitoring staff may discuss course corrections during the engagement to ensure compliance, HCD considers this process as assistance provided to subrecipients to achieve their performance objectives on schedule and within budget in accordance with the U.S. Dept. of Housing and Urban Development (HUD) requirements.

4. **What are the two types of monitoring?**

   The two types of monitoring are (1) desk and (2) on-site monitoring. HCD considers desk monitoring as less formal and less in-depth of a review than on-site subrecipient monitoring. A desk monitoring review also takes place away from the subrecipient's office (i.e., at a HCD office, or "desk"). HCD will consider external factors, such as travel bans or current wildfire impacts to local jurisdictions, to determine whether the monitoring staff will conduct an on-site monitoring or if they will conduct those monitoring activities in a virtual environment.

5. **What are the three phases of the monitoring engagement process?**

   The three phases of the desk and on-site monitoring engagement process are:

   - *Pre-Monitoring*
   - *Monitoring*
   - *Post-Monitoring*

   The pre-monitoring phases involves initial monitoring review notification and communication to the subrecipient, including initial document collection. The monitoring phase includes the entrance conference, file review, interviews, and exit conference, which occur within one week. The post-monitoring phase contains final discussion and conclusion of the monitoring review results, including final document collection, issuance of the Monitoring Report and Letter (MRL), and the subrecipient's response to the MRL.

   a. **How much time in advance is the Monitoring Notification Letter sent?**

      The Monitoring Notification Letter is sent 30 days in advance of the entrance conference.

   b. **When does the monitoring engagement process officially end?**

      The monitoring engagement process ends when the subrecipient will resolves all issues indicated on the Monitoring Report and Letter (MRL) and the Department issues a Corrective Action Complete Letter.

6. **What are the three results that can occur within the Monitoring Report and Letter (MRL)?**

   The MRL will contain one or more of the following three results:

   - *No Findings or Concerns identified*
   - *Findings*
   - *Concerns*

7. **What is a deficiency in performance for which there is clear non-compliance with a statutory, regulatory, Disaster Recovery (DR) or Mitigation (MIT) specific requirement?**

   A Finding.

8. **What is an area of non-compliance that is not in clear violation of an existing statutory, regulatory, DR or MIT – specific requirements, but a condition that could lead to future findings if not corrected?**

   A Concern.

9. Why does HCD complete subrecipient risk assessments?

Federal regulations require HCD to review subrecipients' capacity, program(s) complexity, funding amounts allocated, and prior compliance history to determine ability on program performance and implementation. HCD utilizes subrecipient risk assessments to establish subrecipient risk levels and support planning on the following actions:

- *Developing any required, targeted subrecipient training and/or technical assistance.*
- *Identifying a schedule for subrecipient monitoring.*

10. For subrecipients who have multiple Community Development Block Grant (CDBG)- DR or -MIT projects under one or multiple Master Standard Agreements (MSAs), will there be quarterly monitoring for each project?

Not necessarily. The monitoring will depend on the annual subrecipient risk assessment, and the criteria in place to determine the subrecipients' risks as high, medium, and low.

As noted under question #9, HCD utilizes the risk assessment results to form a subrecipient monitoring schedule. Prior to the Monitoring Notification Letter being sent, HCD will verbally notify subrecipients of potential monitoring dates at least 45 days in advance of the monitoring.

Documenting Compliance and Recordkeeping:

11. Is there a Monitoring Manual which subrecipients can follow when monitoring either subrecipients (as the grantee) or vendors? If so, where can it be found?

Subrecipients can reference HCD's Monitoring Plan (located here and linked within the webinar's Additional Resources slide), but HCD will note that this Plan is primarily designed for ensuring subrecipient program and regulatory compliance. If HCD subrecipients have their own subrecipients, they could borrow elements of this Plan to outline their subrecipient monitoring process; however, this Plan is not tailored specifically for contractor, or vendor, oversight and monitoring. HCD staff will continue to provide resources in the future, and it may include samples in relation to contractor/vendor oversight and monitoring.

a. Is HCD's Monitoring Plan the same for CDBG-DR and CDBG-MIT projects?

Yes, the Plan covers DR and MIT programs, and as such, HCD may amend it over time, similar to the monitoring schedules. The HCD website link provided under question #11 is the first version, but HCD may refine the Plan and produce additional versions which focus on monitoring moving to different or additional program activities and related grants. For example, while HCD may utilize the

Plan now in relation to the Multifamily Housing Program (MHP), HCD could utilize the Plan in 2023 to focus more on the MIT programs. The Plan will adapt as the State of California and HCD implement disaster recovery over the coming years.

b. **Subrecipients who have reviewed the HCD Monitoring Plan have noticed that there are no Exhibits, which are referenced throughout the Plan, on the HCD DR website. When and where will those be made available?**

HCD does not currently have a location for subrecipients to access all Monitoring Plan Exhibits on its website. HCD monitoring staff will make the relevant Exhibits available to subrecipients who are scheduled to be monitored. The types of Exhibits include monitoring review checklists, notification letters, the MRL, and entrance and exit conference notes and agendas, all of which will be used during the review.

<u>Document Coordination and System of Record Walkthrough: Grants Network</u>

12. What access to HCD systems will subrecipients need for the monitoring review?

HCD anticipates using the Grants Network system, specifically the Miscellaneous Task, to reach out to the subrecipients for the supporting document submission. eCivis staff provided a demonstration at the end of Day One to walk through how the Miscellaneous Task process will work.

13. Do subrecipients need special authorization to create an account in Grants Network?

No, the individuals who were associated with the award will have access to the portal account. If that individual needs to add subrecipient staff members, they can do that through the following instructions.

While in the subrecipient award within Grants Network:

- *Go to the action item "Manage Project Team" (it will take to your project team dashboard).*
- *Utilize the green button which states, "Add Team Member."*
- *Add a subrecipient team member's email address.*
- *Click/check "Receive notifications for this award."*
- *Then click "Add member."*

Within the invitation emails, subrecipients will be able to see all individuals added and their status of acceptance. If the authorized individual needs to resend, delete, or remove the award notifications within Grants Network, all three of those options should be available under "Actions." eCivis also outlined these steps within the demonstration found within the Day One webinar recording.

14. Will a subrecipient receive emails informing them of Grants Network tasks which need attention?

Yes, if a subrecipient checks off the box to receive notifications, all team members within the subrecipient's list will receive emails on those tasks which HCD sends to a subrecipient. If a subrecipient does not check off that item, no email notification is sent.

15. Are Grants Network task notification emails sent out only once or are reminders and upcoming deadlines sent out?

Grants Network sends out a reminder notification to the subrecipient whenever a Miscellaneous Task is initially sent out by HCD. HCD monitoring staff will issue a due date on the Miscellaneous Task, which can also include a reminder to that date as well. The subrecipient will receive the two notifications whenever the Miscellaneous Task is first created. The subrecipient will be able to see the Task's (1) due date on their portal account as well as (2) the reminder date.

Webinar – Day Two

Introduction/Goals and Objectives

16. What should subrecipients learn from Day Two material?

Subrecipients should gain a better understanding of:

- *How to document grant progress and program performance,*
- *How to document financial management compliance,*
- *Actual expectations for initial subrecipient monitoring,*
- *Common subrecipient findings, and*
- *Utilizing resources for monitoring preparation.*

Compliance Records

17. What are the document retention requirements for the DR and MIT programs? Could HCD still monitor subrecipients after the three-year timeframe to retain all documents?

Federal regulations at 24 CFR § 570.490(d) and 2 CFR § 200.334 have been updated to reflect that all records relevant to DR and MIT programs must be retained for a minimum period of 3 years after HCD's grant agreement closeout with HUD. HCD, however, adheres to a more stringent record retention requirement under the State of California, which requires all records to be maintained for a period of 5 years after the grant closeout. These requirements are further outlined within Section VIII., Subpart X. – Retention Policy of HCD's Grant Administration Manual.

18. Can the subrecipient submit to HCD redacted versions of original certified payrolls when such documentation is requested? More specifically, can Social Security Numbers be protected?

There are Personally Identifiable Information (PII) safeguarding concerns with the documents discussed within the webinar, including the submission and document transfer of certified labor payrolls. HCD addressed coordination with subrecipients on access to records as one of the topics discussed during this training webinar. As a monitoring review of PII-applicable scope (e.g., Davis-Bacon and Related Acts requirements) occurs, HCD would have additional discussions with subrecipients to ensure PII is safeguarded.

Financial Management Monitoring

19. In relation to financial management monitoring, what scenarios trigger a subrecipient to have a separate bank account for CDBG-DR or CDBG-MIT funding? If a subrecipient has multiple CDBG-DR and -MIT allocations with different projects, but only one operating account for all CDBG funds, are they required to open separate accounts?

During the webinar, HCD spotlighted a question within the financial management monitoring review checklist which sought to ensure proper subrecipient fiscal accounting of different program or project allocations (budgets) and reimbursements (expenditures) made. 2 CFR 200.302 outlines specific financial management accounting system requirements and information needed to identify Federal awards received and expended.

Having a separate account on your chart of accounts in terms of project/activity fund accounting may be a best practice, but each subrecipient may have an accounting system which provides this information in a different way and does not necessarily imply a separate account or banking relationship. HCD will look for accounting and financial management system reporting, which is sufficient with federal requirements, i.e., that a subrecipient's financial system can track grant funds (1) within its own account and (2) which can easily be identified within the overall chart of accounts.

Monitoring Prep: Best Practices

20. What steps should subrecipients complete once HCD has sent a notification of an upcoming monitoring review?

Subrecipients can complete several of the following actions to prepare for a monitoring review:

- *Review the Monitoring Notification Letter to ask HCD monitoring staff questions on any unclear items regarding who should be available for the monitoring, what monitoring scope is under review, when and where the review will occur, and how the review will occur (on-site or off-site) during the designated timeframe.*
- *Ensure and coordinate access to records via Grants Network or through other means, as necessary.*
- *Conduct a file review of documentation using a checklist template (samples provided within the webinar).*
- *Search for and remove files which may not be complete or are older versions of documents (e.g., policies, procedures) no longer in use – ensure subrecipient files "tell the story" of the program's or project's history.*
- *Review HCD's Monitoring Plan for further details on the monitoring engagement process.*

- *Maintain communication with HCD's monitoring and program staff on any of the actions noted above.*

Next Steps: What's to Come

21. What can subrecipients expect next?

HCD monitoring staff will contact a small number of subrecipients for a monitoring engagement in late summer or early fall of this year. Additional monitoring will be scheduled in 2023 once HCD monitoring staff complete the annual Subrecipient Risk Assessment.

HCD encourages all subrecipients to follow steps under question #20 and attend additional training webinars as offered to obtain a deeper understanding of federal and programmatic requirements and ensure compliance through recordkeeping.