



Subrecipient Training Series Part 2: *Preparing for a Monitoring Review / Documenting Compliance*

[June 8 –9]

**CALIFORNIA DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT**



Welcome

- This webinar is designed to permit interaction between HCD and subrecipients.
- Please post questions in the chat (HCD will try to respond within the chat feature and will also pause to answer questions at a specified time).
- Otherwise, participants will be in a “listen only” mode.
- For technical issues, you may also request assistance using the chat feature.
- *This session will be recorded and materials will be posted to the HCD website for future reference and training (see "Resource" webpage located at the end of the webinar).*



Introduction

HCD

- Wendy Nelson
- Samina Akhtar
- Michelle Chand
- Sergio Portela

Civix

- Adrienne Duncan
- Angie Trill
- Jared Lee
- Patty Weisner
- Philip Betito
- Randall Mullen
- Patrick Roberts



Training Agenda – Day One

- Goals and Objectives
- Monitoring Considerations
- The Monitoring Engagement Process
- Documenting Compliance and Recordkeeping
- Document Coordination Walkthrough in the System of Record: Grants Network
- Q&A



Day One Goals and Objectives

Subrecipients should gain a better understanding of:

- The monitoring engagement process and the subrecipient's role during a monitoring review.
- Expectations for documentation standards for review during the monitoring engagement.
- How Grants Network will be used as a recordkeeping and document collection tool for monitoring reviews.

Note: The “why” (i.e., regulatory basis for compliance, etc.) and a deeper level of how to document compliance will be provided to subrecipients within a subsequent session of this training series.



Monitoring Considerations



Responsibilities of Subrecipients

- Carry out specified program(s) on behalf of HCD.
- Comply with all Federal statutes, regulations, and program requirements, e.g., Financial Management, Labor Standards, Section 3, MBE/WBE, among others.
- Meet all established performance goals and milestones/performance metrics, as stated in applicable contracts.
- Comply with all terms and conditions of the Master Standard Agreement (MSA)/Standard Agreement (SA), including which records to maintain and reports to submit.

Ultimately, the grantee is responsible for subrecipient compliance and performance.



Monitoring Engagements: Partnership Process

- HUD grantees are charged with making sure their subrecipients comply with all regulations governing their administrative, financial, and programmatic operations; and
- HCD has a vested interest in assisting its subrecipients to achieve their performance objectives on schedule and within budget.



Monitoring Engagements: Partnership

- Monitoring engagements (whether on-site or off-site) are a view within a specific period in time of a project. Think of it as a snapshot.
 - Questions and additional document requests are NOT intended to catch you outside the scope of the review.
 - Additional information requests might be necessary to get a clearer picture for a more accurate determination.
- Monitoring is not a “gotcha” activity, this is the time for the subrecipient and HCD to review project and grant compliance status and when necessary, discuss course corrections to come back into compliance.
- Effective monitoring depends on a mutual commitment to identifying and solving problems to improve the delivery of the disaster recovery benefits.



Monitoring Engagement:

Types of Monitoring Engagements

On-Site Monitoring: A formal monitoring engagement that takes place at the subrecipient's office, in which an in-depth review of program/project activities are reviewed for compliance.

Desk Monitoring: An off-site, less formal monitoring engagement that is conducted at the HCD office. The subrecipient must submit requested documents to HCD monitoring staff prior to the start date of the engagement.

Note: Regardless of the monitoring type, the main steps are the same throughout the monitoring process.



Monitoring Engagement: What to Keep in Mind

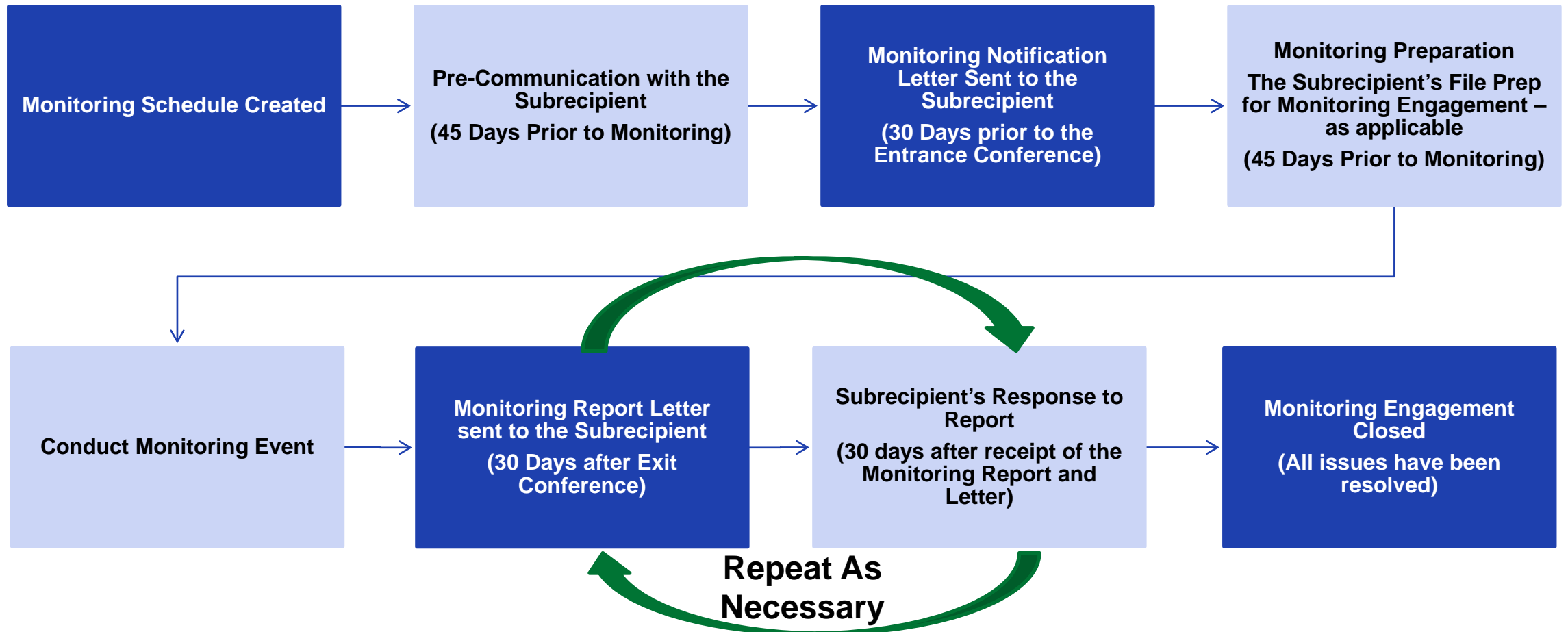
- Initial monitoring conclusions are draft findings and/or recommendations.
- The subrecipient will have the opportunity to review the draft report for inaccuracies and any points of disagreement. The subrecipient can provide the basis of any objection during two stages of the monitoring engagement process prior to the Monitoring Report Letter (MRL) being finalized:
 - Exit Conference
 - Week after the monitoring engagement
- Subrecipient can provide sufficient documentation and data to support the belief that the preliminary assessment is inaccurate and to support clearing the monitoring conclusion.



The Monitoring Engagement Process



Monitoring Engagement Process Map





Three Main Components of a Monitoring Engagement

Pre-Monitoring

Monitoring Event

Post-Monitoring



Monitoring Component: Pre-Monitoring

Pre-Monitoring

Monitoring Event

Post-Monitoring



Monitoring Engagement Components

Pre-Monitoring

Quarterly
Monitoring
Schedule

Pre-Monitoring
Communication

Monitoring
Notification
Letter



Monitoring Schedule

- In order to ensure subrecipients are properly carrying out activities, HCD must have an oversight mechanism in place to track progress and monitor performance.
- HCD determines a level of risk associated with each subrecipient through a risk assessment, reviewing such risk criteria as:
 - Knowledge of program requirements & Federal cross-cutting requirements,
 - Size and complexity of the subrecipient program(s), and
 - Financial management indicators.



Monitoring Schedule Outreach

- HCD uses the results of the subrecipient risk assessment to:
 - Develop any required training and/or technical assistance, and
 - Identify a schedule for subrecipient monitoring.
- HCD monitors will contact subrecipients prior to the scheduled month for monitoring in order to coordinate specific monitoring engagement dates and logistics.



Pre-Monitoring Communication

- First contact between HCD monitoring staff and subrecipient.
- Communication goals:
 - HCD and subrecipient determine dates which work for both parties.
 - Discussion of any logistics (separate room, technology, parking, system access, etc.).
- The subrecipient should expect to receive the Monitoring Notification Letter within two weeks of initial contact.



Monitoring Notification Letter

- This letter officially informs the subrecipient 30 days in advance, including monitoring engagement specifics:
 - **When** (start date, start time, and end date)
 - **Who** (HCD team who will be part of the monitoring event)
 - **What** (programs, projects, and/or specific area of review)
 - **Where** (remote or on-site)
- HCD monitoring staff will also provide a documentation request to conduct a pre-monitoring review.
 - Supports HCD in determining additional needs, specialized questions, and preparing prior to the official event.
- During this time, the subrecipient should consider:
 - Level/frequency of communication needs required throughout the event.
 - Start ensuring that HCD monitoring staff have sufficient access to internal systems.
TEST, TEST, AND TEST ACCESS AGAIN!



Monitoring Component: Monitoring Engagement

Pre-Monitoring

Monitoring Event

Post-Monitoring



Monitoring Engagement Components

Monitoring Event

Entrance
Conference

Monitoring
Review

Exit
Conference



Entrance Conference

- Introductory meeting for the monitoring and subrecipient teams.
- Provides a high-level overview of the monitoring process and the monitoring scope for each day.
 - This is also the time when preliminary interviews are scheduled.
- Subrecipients should provide:
 - Project highlights, to include program performance and milestone successes and expenditure progress.
 - Any additional clarification or information on the monitoring focus.



Monitoring Review

File Review

- Monitoring team will request documents related to the focus area(s) covered in the Monitoring Notification Letter. The subrecipient should focus its prep on the files and support documentation related to those areas.

Interview

- Subrecipient staff **MUST BE** available to HCD and provide timely responses.
- What to do when asked questions:
 - *Questions are to understand how grant and projects are managed.*
 - Ask for clarification on items if necessary.
 - Provide appropriate, specific responses to answer questions asked.
 - It is ok to say you need time to research to get the answer to the question.

Only provide information that is requested or asked.

- If the monitor(s) need additional clarification or information, they will ask.

The monitoring staff can also provide technical assistance during the review to the subrecipient on specific areas within and beyond the review scope or focus area(s).



Exit Conference

FOUR MAIN OBJECTIVES:

- ✓ To present the preliminary results of the monitoring event.
- ✓ To provide the subrecipient the opportunity to correct any misconceptions or misunderstandings.
- ✓ To secure any additional information from the subrecipient to clarify or support their position.
- ✓ For any deficiency that the subrecipient agrees with, to provide an opportunity for subrecipient staff to report on steps they are already taking to correct the matter.

Once the exit conference has concluded, both the subrecipient and the monitor must sign the Exit Conference Agenda, with a copy provided to both parties. The signing confirms and shared understanding of all areas discussed and to record any requested information that may result in corrective actions.

- If remote, the agenda will be sent via email.
- If on-site, the notes and requests will be prepared during the meeting - all parties will then sign the document.



Exit Conference

- The exit conference does not signal the end of the monitoring.
- Issues addressed in the exit conference are preliminary and should not be taken as an all-inclusive list.
- A monitoring review is not complete until the Monitoring Report Letter (MRL) is sent to the subrecipient, which contains the official and finalized findings, concerns, and observations.
- HCD monitoring staff may identify and address additional issues within the MRL which were not established under the exit conference.



Monitoring Component: Post - Monitoring Event

Pre-Monitoring

Monitoring Event

Post-Monitoring



Monitoring Engagement Components

Post-Monitoring

Preliminary
Response

Monitoring
Report and
Letter

Subrecipient
Response

Corrective
Action
Complete
Letter



Preliminary Response

- This is the week after the monitoring engagement where subrecipients could provide additional information and documentation requested by HCD to address any issues identified during the exit conference.
 - Subrecipients can also provide information after that first week of the post-monitoring phase – depending on the MRL draft completion timeframe, HCD monitoring staff may or may not identify the additional information in the MRL which was provided after the one-week window.
 - The subrecipient may also submit questions to HCD monitoring staff.



Monitoring Report and Letter

Official monitoring record detailing:

- Findings
- Concerns
- Areas of Observations

Report will detail where issues were identified and/or observed (depending on issue type).

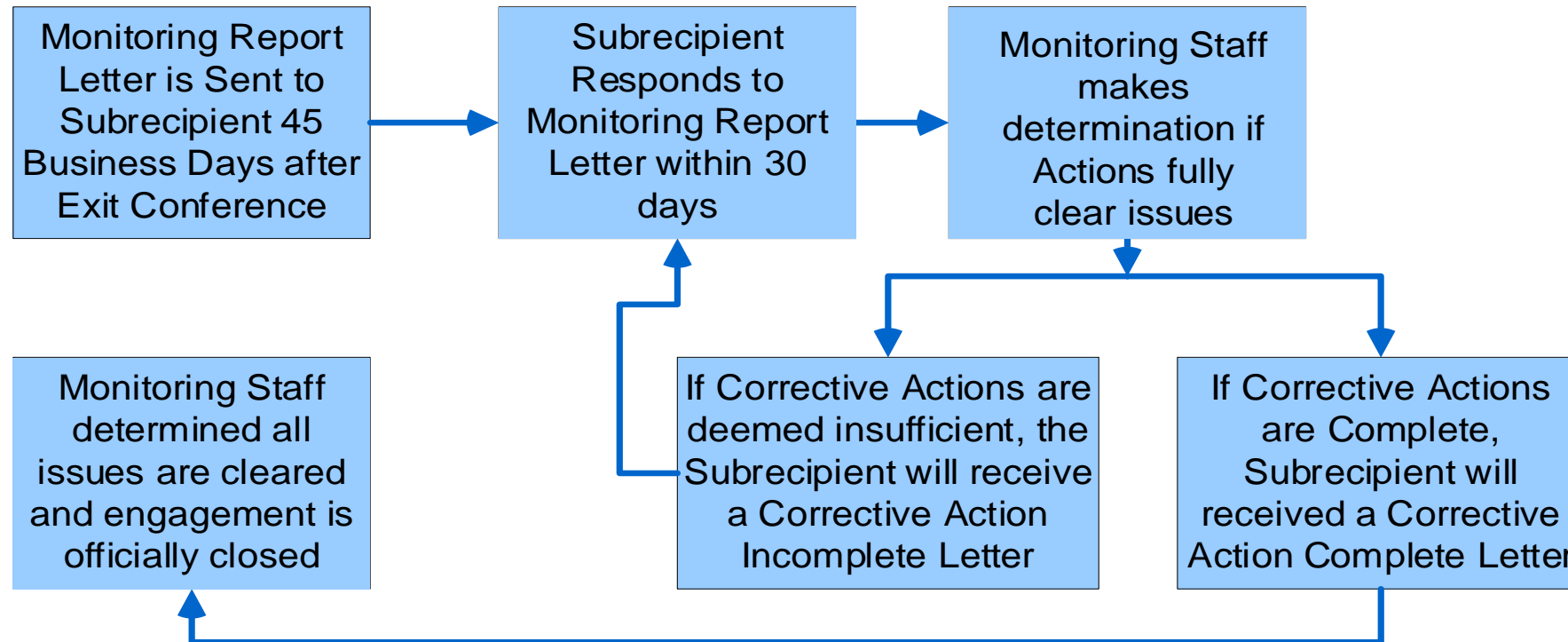
Report provides actions needed to resolve the issue and what needs to be done to avoid repeating the issue.

The report provides a due date for the subrecipient to provide the required action(s) or response.

The subrecipient may request an extension – if necessary – but the request must be submitted as soon as the subrecipient has determined an extension is necessary. HCD will review and determine whether an extension is warranted.



Monitoring Report Letter Process





Monitoring Report Letter: Results

Monitoring Report Letter can have three (3) results:

- 1. No Findings or Concerns identified.**
- 2. Findings:** A deficiency in performance for which there is clear noncompliance with a statutory, regulatory, DR-, or MIT-specific requirement.
- 3. Concerns:** An area of noncompliance that is not in clear violation of existing statutory, regulatory, DR-, or MIT-specific requirements, but a condition that could lead to future findings if not corrected.

Examples to be provided in Financial Monitoring Section.



Monitoring Report Letter: Corrective Action

Corrective Action: Action taken by the subrecipient which corrects identified deficiencies, addresses a concern, or otherwise produces recommended improvements.

Examples to be provided under the Financial Monitoring section (Day Two session)



Subrecipient Response Letter

- Addresses Corrective Action
- Provides Assurances
- Provides Required Documentation



Monitoring Report Corrective Action Complete Letter

- All Corrective Actions Have Been Performed
- Officially Closes the Monitoring Engagement
- The Subrecipient **MUST** maintain resolution in their records



Documenting Compliance and Recordkeeping



Documenting – Examples

- Demonstrating – that each activity undertaken meets one of the National Objectives.
- Establishing – A standard reporting framework
- Proving – you are meeting contract goals
- Validating – an expense
- Providing evidence – of follow up actions taken to correct areas of non-compliance.
- Supporting - documentation for a draw request
- Ensuring that the documentation in the files relating to the project supports the funding requirements as laid out by the grantee.



Documenting Compliance

- Monitoring consideration should not begin with the monitoring letter, it should have a place in your daily documentation process.
- Accurate recordkeeping is crucial for the successful management of your CDBG-funded activities.
- It is essential for tracking your performance against your contract goals and allows your grantee to provide management support in its oversight of your activities.
- Failure to document your CDBG-funded activities adequately will undermine the success of your projects, leading to monitoring findings that are much more difficult to resolve when records are missing, inaccurate, or otherwise deficient.
- Your ability to readily document compliance will depend on the strength of your recordkeeping processes.



Assessing Your Recordkeeping Processes

- Do you have a clearly defined process for acquiring, organizing, storing, retrieving, and reporting information about your CDBG-funded activities?
- Do you have someone designated to be responsible for most of the recordkeeping and reporting tasks, and are they properly trained and supported?
- Can you streamline your recordkeeping and reporting procedures by standardizing your process to eliminate duplicate records?



General Recordkeeping Requirements

Establish and maintain accurate recordkeeping in at least these three major categories:

- General Administrative
- Financial Management
- Project or Activity Files



Recordkeeping: General Administrative

- Executed MSA or SA
- Description, geographic location, and budget of each activity
- Eligibility and national objective determinations for each activity
- Personnel files
- Citizen participation compliance documentation
- Fair Housing and Equal Opportunity records
- Environmental review records
- Documentation of compliance with cross-cutting requirements (e.g., Davis-Bacon, Uniform Relocation Act, and Lead-Based Paint)



Recordkeeping: Financial Management

- Chart of accounts
- Accounting procedures
- Accounting journals and ledgers
- Source documentation (purchase orders, invoices, canceled checks)
- Procurement files (including bids, contracts, etc.)
- Real property inventory
- Bank account records (including Revolving Loan Fund records, if applicable)
- Payroll records and reports
- Financial Reports (requests for reimbursement in Grants Network)
- Audit files
- Relevant financial correspondence



Recordkeeping: Project and Activity Records

- Eligibility of the activity (DR – disaster tie-back, MIT – relevant mitigation measure)
- Evidence of having met a national objective (covered in following slides)
- Any bids or contracts
- Characteristics and location of the beneficiaries
- Compliance with special program requirements (e.g., environmental review records)
- Project budget and expenditure information (including approved project budget or scope amendments)
- Progress and status of the project/activity



What Information to Collect?

Documents from the three categories will be used for:

- Recordkeeping
- Reporting
- Program management

Note: At the end of today's presentation, there will be a tutorial in the grant management system.



Recordkeeping: What – When – How

- This is typically controlled by a subrecipient's Recordkeeping Policies and should cover documenting the following:
 - **What needs to be collected** to reflect the project(s) and program(s) history,
 - **Support incurred costs** during the life of the program,
 - **When decisions were made**,
 - **How those decisions were carried out** during a project and/or program, and
 - **Record retention requirements** for the subrecipient and HCD.
- HCD programs may have additional recordkeeping and reporting requirements.
- It is **VERY** important that the subrecipients work with the appropriate HCD program representatives to ensure documents and reports are being collected and provided within program requirements.



Recordkeeping to Reporting

Reporting requirements:

- Should be outlined in the subrecipient's policies and procedures.
- Must comply with HCD and HUD reporting requirements & timeframes.
 - Reporting requirements are also listed in your MSA/SA.
 - Review timeframes listed in the Roles and Responsibilities Training located on the HCD website.
- Maintain required documentation to support efforts or data in the reports.

Access to records:

- Subrecipients are required to provide HCD staff with sufficient access to records. This will be covered in detail later.

Note: HCD's Grants Network will be HCD's method of recordkeeping.



Program Management : CDBG-DR/MIT

	Disaster Recovery	Mitigation
Expenditure Rate	100% of funds expended in 6 years	<ul style="list-style-type: none"> •50% of funds expended within 6 years •100% of funds expended within 12 years
Overall Benefit	70% LMI	50% LMI
Benefit to HUD MID	At least 80% of the allocation must be spent in the HUD MID Areas	At least 50% of the allocation must be spent in the HUD MID Areas
National Objective	<ul style="list-style-type: none"> •LMI •Slum/Blight •Urgent Need 	<ul style="list-style-type: none"> •LMI •Urgent Need Mitigation
Tie-back to qualified disaster	Yes, a connection must be made to the disaster	None
Citizens Advisory Committee (CAC)	None	Must meet at least twice a year
MIT Requirement	None	All projects must meet the HUD definition of mitigation: <i>“those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters.”</i>



Document Coordination Walkthrough in the System of Record: Grants Network



Grants Network and Functionality



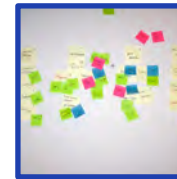
Record Keeping

- Program Document Repository
- Program Policy Repository
- Reporting Support Document Repository



Reporting

- Financial Reports
- Program Data Collection
- Section 3 Data



Program Management

- Submit Draw Requests (“Financial Reports”)
- Submit Financial Supporting Documents
- Most HCD and Subrecipient interaction will be recorded here

Jay De La Rosa (eCivis) will now walk us through Grants Network functionality in relation to: (1) the pre-monitoring review process and (2) HCD’s financial management monitoring review of Financial Reports.



Grants Network Walk-Through

- HCD completed a demonstration of specific monitoring review processes within the Grants Network management system.
 - *This demonstration is located within the Day One training recording for this series.*



Day One Takeaway

- Subrecipients play a vital role **in partnership with HCD** to ensure compliance.
 - Learning and growing experience for all involved.
- **Two types** of monitoring: **desk or onsite**.
- **Three phases** of the monitoring engagement process:
 - **Pre-monitoring**: Initial communication, notification letter, and initial document request for review.
 - **Monitoring**: Entrance/exit conferences and review.
 - **Post-monitoring**: Final results discussions, MRL issuance.
- Keys to documenting compliance and successful monitoring: **recordkeeping, reporting, communication, planning, and document collection**.
 - **HCD has developed performance tools and resources within Grants Network** for ensuring success of the monitoring review.
 - Supports a monitoring review process “standard.”



Questions?



Look Ahead to Day Two (Overview)

- Compliance Records
 - Grant Program Records
 - Project Specific Records
- Financial Management Monitoring
- Common Findings
- Monitoring Preparation: Best Practices



Subrecipient Training Series Part 2: *Preparing for a Monitoring Review / Documenting Compliance*

Day Two

[June 8 –9]

**CALIFORNIA DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT**



Welcome

- This webinar is designed to permit interaction between HCD and subrecipients.
- Please post questions in the chat (HCD will try to respond within the chat feature and will also pause to answer questions at a specified time).
- Otherwise, participants will be in a “listen only” mode.
- For technical issues, you may also request assistance using the chat feature.
- *This session will be recorded and materials will be posted to the HCD website for future reference and training (see "Resource" webpage located at the end of the webinar).*



Day One Recap

- Subrecipients play a vital role **in partnership with HCD** to ensure compliance.
 - Learning and growing experience for all involved.
- **Two types** of monitoring: **desk or onsite**.
- **Three phases** of the monitoring engagement process:
 - **Pre-monitoring**: Initial communication, notification letter, and initial document request for review.
 - **Monitoring**: Entrance/exit conferences and review.
 - **Post-monitoring**: Final results discussions, MRL issuance.
- Keys to documenting compliance and successful monitoring: **recordkeeping, reporting, communication, planning, and document collection**.
 - **HCD has developed performance tools and resources within Grants Network** for ensuring success of the monitoring review.
 - Supports a monitoring review process “standard.”



Training Agenda – Day Two

- Goals and Objectives
- Compliance Records
 - Grant Program Records
 - Project Specific Records
- Financial Management Monitoring
- Common Findings
- Monitoring Preparation: Best Practices



Day Two Goals and Objectives

Subrecipients should gain a better understanding of:

- Documenting grant progress and program performance.
- Documenting compliance from a financial management perspective, to include complete invoices.
- Expectations for initial subrecipient monitoring.
- Identifying common findings under subrecipient files.
- How best to prepare for potential subrecipient monitoring.

Note: This session will tie the “why” (i.e., regulatory basis for compliance) and “how to” document compliance with actual monitoring review scenarios on a deeper level through the example of financial management monitoring.



Grant Program Records



Administrative Records: High-Level Guide

- Staff whose time is billed to the grant(s)
- Organizational Charts – can be broken down in the following manner:
 - Grant/program
 - Reporting structure
 - Jurisdiction titles
- Job Descriptions:
 - Titles and descriptions should align with language within the P&Ps.
 - If a position is not performing actions as stated in the P&Ps, amend the P&Ps.

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Grant Administration: High-Level Guide

- Application – as applicable
 - Amendments
- Internal meetings – important decisions
- Citizen Participation
 - Advertisements
 - Meeting records
 - Sign-in sheets
 - Notes

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



National Objective: High-Level Guide

- Documents supporting which National Objective is being addressed in the program(s) and/or project(s)
- Document supporting efforts if program(s) and/or project(s) is falling behind on its National Objective goals
- Documents on eligible activity
- Do you have a plan/process in place to ensure the National Objective is met for a minimum number of years after grant close-out?
- Key resource: [Basically CDBG \(HUD training\)](#)
 - National Objectives and Eligible Activities* Module

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Financial Management: High-Level Guide

- Program budgets
 - Original, any amendments, and current budget
 - Budget reconciliations
- Request for payments/invoices/draw request (“Financial Reports” submitted in Grants Network)
 - Support documents
- Program Income – as applicable
 - Reports
 - Tracking documents
- Financial organizational chart (if different from administrative one)
- Bank statements – as applicable to grant(s)/program(s)
- Financial reports
- Key resource: [Basically CDBG \(HUD training\)](#)
 - Financial Management* module

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Civil Rights: High-Level Guide

- Fair Housing activities
- Section 504
 - Self assurance
 - Self-evaluation
 - Section 504 Plan
- Equal Employment Opportunities

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Policies and Procedures

- HCD will review the final version of the initial policy and procedure **OR** the most current version the subrecipient's office is using.
- Policies and Procedures:
 - Recordkeeping
 - Procurement
 - Financial Management
 - Environmental Review
 - Civil Rights
 - Section 3
 - Labor (Davis Bacon and Related Acts)
 - Property Management
 - Housing
 - Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA)



Project Specific Records



Financial Management: High-Level Guide

- Project budgets
 - Original
 - Amended budgets
 - Current budget
 - Budget reconciliations
- Request for payments/invoices/draw requests (“Financial Reports” submitted in Grants Network)
 - Support documents
- Program Income – as applicable to project(s)
 - Reports
 - Tracking documents
- Bank statements – as applicable to project(s)
- Other financial reports (general ledgers, disbursement and receipt journals, transaction reports, etc.)

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Environmental Review: High-Level Guide

- Environmental studies
- NEPA documents
- CEQA documents
- Categorical Exclusions
- Authorization to Use Grant Funds (AUGF)
- Release of Funds

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Procurement: High-Level Guide

- Independent Cost Estimates (ICEs) and cost reasonableness establishment
 - How did you determine reasonable prices or costs for contracts or goods?
- Signed Conflict of Interest statement
 - Signed by individual who reviewed the submitted bid/proposal for the RFP
- Required approvals prior to advertising – as applicable
- Advertisements
- Response submission log (date, time, employee signature)
- Respondents rejected log – as applicable (what procurement, who, and why)
- ALL submitted responses (including bid tabulation, RFP, RFQ, etc.)
- Evaluation sheets
- Award notification and denial letters

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Contracts: High-Level Guide

- SAMS Check (federal debarment and suspension search)
 - Clearly dated PRIOR to contract execution.
- Internal approvals – as applicable
- Original executed contract
 - NOTE:** If a time and material contract was used, maintain justification as to why it was the only appropriate contract type.
- Executed contract amendments
 - Like the original contract, modifications must include ICEs or similar cost reasonableness review.
- Performance and payment bond coverage (2 CFR 200.326)
- Conflict of Interest statements
- Contract communications (e.g., decision-making via email correspondence)
- Notice to Proceed

NOTE: This is NOT an all-inclusive list of all regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Labor Records: High-Level Guide

- Construction site postings (including photos)
- Authorization documents
 - Workers
 - Company
- Executed Wage Decision Form
- Approved additional labor classification requests (from the Department of Labor)
NOTE: Additional classification requests **must go** to DOL for review and approval.
- Weekly Certified Payroll Reports (CPRs)
 - Originals
 - Corrected – as applicable
- CPR reports (labor issues log(s) showing items for/status of resolution from weekly payrolls)
- Interviews
- Violations/penalties- as applicable

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Section 3: High-Level Guide

- Advertising of Opportunities
 - Job Opportunities
 - Business Opportunities
 - Training Opportunities
- Outreach Events
- Section 3 Business Searches
- Section 3 Reporting Management
 - Tracking of goals
- Evidence of individual contractor monitoring and oversight
 - Review evidence of (1) vendor's/worker's income self-certification, (2) alignment of labor hours under Section 3 reporting to labor payrolls or other timesheets as applicable, and (3) qualitative efforts to recruit Section 3 residents if Section 3 goals were not reached.

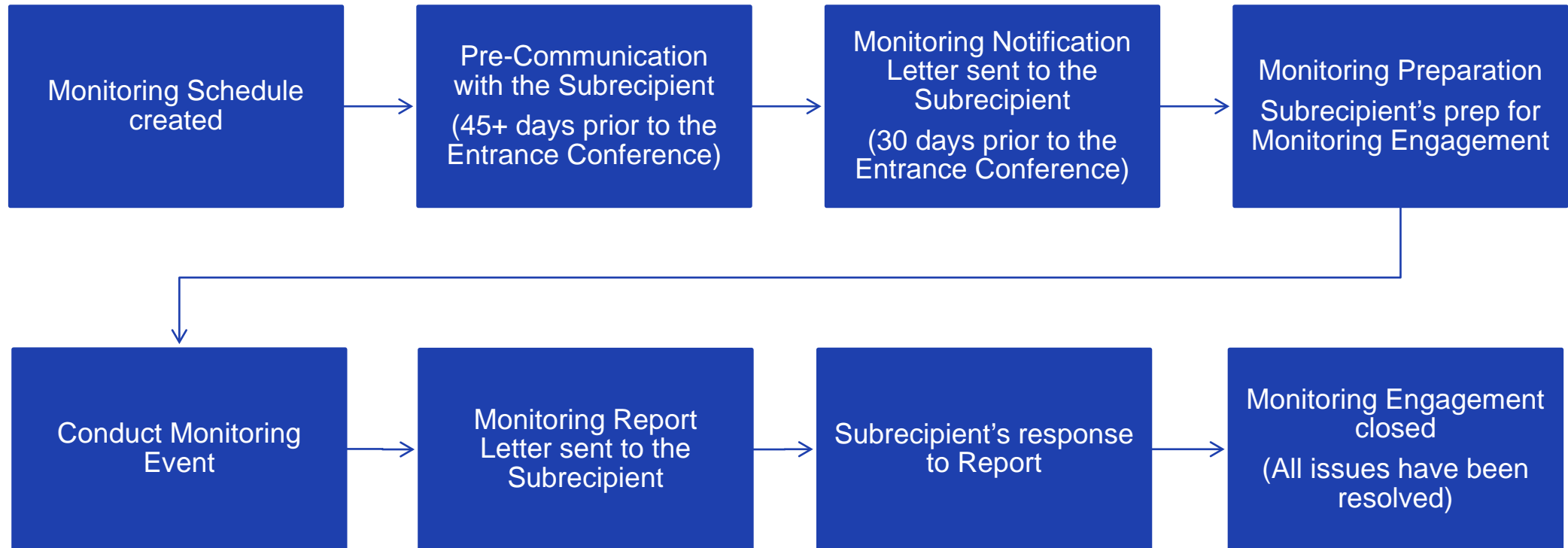
NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Financial Management Monitoring



Monitoring Engagement Process Review





Financial Monitoring Components

Pre-
Monitoring

Monitoring
Event

Post-
Monitoring



Financial Monitoring: Pre-Monitoring

Pre-
Monitoring

Monitoring
Engagement

Post-
Monitoring



Monitoring Engagement Components

Pre-Monitoring

Quarterly
Monitoring
Schedule

Pre-Monitoring
Communication

Monitoring
Notification
Letter



Pre-Monitoring Communication

- Email language example:

Hello Mr. Smith,

My name is Jane Doe with the State of California's Housing and Community Development (HCD) Department. I'm reaching out today because your agency is currently scheduled to be monitored.

Our monitoring staff would like to come out from June 2 – 6, 2020 to conduct a monitoring of your CDBG-DR Infrastructure project. I would also like to confirm your agency's office is located at 12345 Smith Road, Smith County, CA.

Please let me know if this time works for you or if there are better dates that would work for your office.



Notification Letter Packet

Re: Desk/On-site Monitoring Notification

Subrecipient Name

Program Name

Standard Agreement: ###

On-site Monitoring Language: The monitoring visit will begin on (month date, year), starting with the Entrance Conference at (Insert Time). The monitoring visit will take place at the (City/County/Agency)'s office located at (insert address). If the (City/County/Agency) has moved offices, HCD must be notified immediately. HCD monitoring staff will require space set aside in order to conduct the monitoring. Additionally, all appropriate (City/County/Agency) staff and any consultants related to the DR Program being monitored must be present and available for the entire monitoring visit.

Desk Monitoring Language: The monitoring will take place in the month of (insert month). In order for HCD monitoring staff to conduct the desk monitoring, the (City/County/Agency) must provide monitoring staff with the documents listed in the attached Document Request Checklist within 30 days from the date of this letter. **Insert document submission to HCD Monitoring Staff process here** to (Monitor's Name).

Subrecipient Policies and Procedures

- Environmental Review
- Financial Management
- Fair Housing and Equal Opportunity

Subrecipient Program/Projects Files

- Financial Management
- Environmental Review
- Procurement



Identification of program(s) to be monitored



Notification Letter Packet

Re: Desk/On-site Monitoring Notification

Subrecipient Name

Program Name

Standard Agreement: ###

On-site Monitoring Language: The monitoring visit will begin on (month date, year), starting with the Entrance Conference at (Insert Time). The monitoring visit will take place at the (City/County/Agency)'s office located at (insert address). If the (City/County/Agency) has moved offices, HCD must be notified immediately. HCD monitoring staff will require space set aside in order to conduct the monitoring. Additionally, all appropriate (City/County/Agency) staff and any consultants related to the DR Program being monitored must be present and available for the entire monitoring visit.

Desk Monitoring Language: The monitoring will take place in the month of (insert month). In order for HCD monitoring staff to conduct the desk monitoring, the (City/County/Agency) must provide monitoring staff with the documents listed in the attached Document Request Checklist within 30 days from the date of this letter. **Insert document submission to HCD Monitoring Staff process here** to (Monitor's Name).

Subrecipient Policies and Procedures

- Environmental Review
- Financial Management
- Fair Housing and Equal Opportunity

Subrecipient Program/Projects Files

- Financial Management
- Environmental Review
- Procurement



Notification Letter Packet

Re: Desk/On-site Monitoring Notification

Subrecipient Name

Program Name

Standard Agreement: ###

On-site Monitoring Language: The monitoring visit will begin on (month date, year), starting with the Entrance Conference at (Insert Time). The monitoring visit will take place at the (City/County/Agency)'s office located at (insert address). If the (City/County/Agency) has moved offices, HCD must be notified immediately. HCD monitoring staff will require space set aside in order to conduct the monitoring. Additionally, all appropriate (City/County/Agency) staff and any consultants related to the DR Program being monitored must be present and available for the entire monitoring visit.


Desk Monitoring Language: The monitoring will take place in the month of (insert month). In order for HCD monitoring staff to conduct the desk monitoring, the (City/County/Agency) must provide monitoring staff with the documents listed in the attached Document Request Checklist within 30 days from the date of this letter. **Insert document submission to HCD Monitoring Staff process here** to (Monitor's Name).

Subrecipient Policies and Procedures

- Environmental Review
- Financial Management
- Fair Housing and Equal Opportunity

Subrecipient Program/Projects Files

- Financial Management
- Environmental Review
- Procurement



State agreed-upon
date of the monitoring



Notification Letter Packet

Re: Desk/On-site Monitoring Notification

Subrecipient Name

Program Name

Standard Agreement: ###

On-site Monitoring Language: The monitoring visit will begin on (month date, year), starting with the Entrance Conference at (Insert Time). The monitoring visit will take place at the (City/County/Agency)'s office located at (insert address). If the (City/County/Agency) has moved offices, HCD must be notified immediately. HCD monitoring staff will require space set aside in order to conduct the monitoring. Additionally, all appropriate (City/County/Agency) staff and any consultants related to the DR Program being monitored must be present and available for the entire monitoring visit.

Desk Monitoring Language: The monitoring will take place in the month of (insert month). In order for HCD monitoring staff to conduct the desk monitoring, the (City/County/Agency) must provide monitoring staff with the documents listed in the attached Document Request Checklist within 30 days from the date of this letter. **Insert document submission to HCD Monitoring Staff process here** to (Monitor's Name).

Subrecipient Policies and Procedures

- Environmental Review
- Financial Management
- Fair Housing and Equal Opportunity

Subrecipient Program/Projects Files

- Financial Management
- Environmental Review
- Procurement

Indicates on-site or desk monitoring





Notification Letter Packet

Re: Desk/On-site Monitoring Notification

Subrecipient Name

Program Name

Standard Agreement: ###

On-site Monitoring Language: The monitoring visit will begin on (month date, year), starting with the Entrance Conference at (Insert Time). The monitoring visit will take place at the (City/County/Agency)'s office located at (insert address). If the (City/County/Agency) has moved offices, HCD must be notified immediately. HCD monitoring staff will require space set aside in order to conduct the monitoring. Additionally, all appropriate (City/County/Agency) staff and any consultants related to the DR Program being monitored must be present and available for the entire monitoring visit.

Desk Monitoring Language: The monitoring will take place in the month of (insert month). In order for HCD monitoring staff to conduct the desk monitoring, the (City/County/Agency) must provide monitoring staff with the documents listed in the attached Document Request Checklist within 30 days from the date of this letter. **Insert document submission to HCD Monitoring Staff process here** to (Monitor's Name).

Monitoring staff point of contact:

It is important for the subrecipient to remember this is the first person you are to contact when there are questions or issues.

The monitor will provide management contact information if there are disputes or issues the monitor cannot address.



Notification Letter Packet

Re: Desk/On-site Monitoring Notification

Subrecipient Name

Program Name

Standard Agreement: ###

On-site Monitoring Language: The monitoring visit will begin on (month date, year), starting with the Entrance Conference at (Insert Time). The monitoring visit will take place at the (City/County/Agency)'s office located at (insert address). If the (City/County/Agency) has moved offices, HCD must be notified immediately. HCD monitoring staff will require space set aside in order to conduct the monitoring. Additionally, all appropriate (City/County/Agency) staff and any consultants related to the DR Program being monitored must be present and available for the entire monitoring visit.

Desk Monitoring Language: The monitoring will take place in the month of (insert month). In order for HCD monitoring staff to conduct the desk monitoring, the (City/County/Agency) must provide monitoring staff with the documents listed in the attached Document Request Checklist within 30 days from the date of this letter. **Insert document submission to HCD Monitoring Staff process here** to (Monitor's Name).

Subrecipient Policies and Procedures

- Environmental Review
- Financial Management
- Fair Housing and Equal Opportunity

Subrecipient Program/Projects Files

- Financial Management
- Environmental Review
- Procurement

Areas of review for the monitoring





Notification Letter Packet



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Subrecipient Document Request Checklist

General

<input type="checkbox"/> Copy of Signed Standard Agreement/Amendments
<input type="checkbox"/> Certificate of Insurance
<input type="checkbox"/> Organizational Chart including staff working on CDBG-DR Program
<input type="checkbox"/> Equal employment opportunity affirmative action plan and policies

Project

<input type="checkbox"/> Documentation that project meets a National Objective
<input type="checkbox"/> Documentation of other funding sources for assistance
<input type="checkbox"/> Scope of work
<input type="checkbox"/> Progress reports

Finance

<input type="checkbox"/> Grant Award and Budgets
<input type="checkbox"/> Accounting Procedures
<input type="checkbox"/> General Ledger or Charter of Accounts
<input type="checkbox"/> Requests for Payment
<input type="checkbox"/> Expenditure Report
<input type="checkbox"/> Program Income
<input type="checkbox"/> Encumbrances or Obligations
<input type="checkbox"/> Cancelled Checks or Bank Statements
<input type="checkbox"/> Invoices/Purchase Orders
<input type="checkbox"/> Single Audit(s)



Notification Letter Packet



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Subrecipient Document Request Checklist



Document will accompany the Monitoring Notification Letter sent to the subrecipient

General

<input type="checkbox"/> Copy of Signed Standard Agreement/Amendments
<input type="checkbox"/> Certificate of Insurance
<input type="checkbox"/> Organizational Chart including staff working on CDBG-DR Program
<input type="checkbox"/> Equal employment opportunity affirmative action plan and policies

Project

<input type="checkbox"/> Documentation that project meets a National Objective
<input type="checkbox"/> Documentation of other funding sources for assistance
<input type="checkbox"/> Scope of work
<input type="checkbox"/> Progress reports

Finance

<input type="checkbox"/> Grant Award and Budgets
<input type="checkbox"/> Accounting Procedures
<input type="checkbox"/> General Ledger or Charter of Accounts
<input type="checkbox"/> Requests for Payment
<input type="checkbox"/> Expenditure Report
<input type="checkbox"/> Program Income
<input type="checkbox"/> Encumbrances or Obligations
<input type="checkbox"/> Cancelled Checks or Bank Statements
<input type="checkbox"/> Invoices/Purchase Orders
<input type="checkbox"/> Single Audit(s)



Notification Letter Packet



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Subrecipient Document Request Checklist

General

<input type="checkbox"/> Copy of Signed Standard Agreement/Amendments
<input type="checkbox"/> Certificate of Insurance
<input type="checkbox"/> Organizational Chart including staff working on CDBG-DR Program
<input type="checkbox"/> Equal employment opportunity affirmative action plan and policies

Project

<input type="checkbox"/> Documentation that project meets a National Objective
<input type="checkbox"/> Documentation of other funding sources for assistance
<input type="checkbox"/> Scope of work
<input type="checkbox"/> Progress reports

Finance

<input type="checkbox"/> Grant Award and Budgets
<input type="checkbox"/> Accounting Procedures
<input type="checkbox"/> General Ledger or Charter of Accounts
<input type="checkbox"/> Requests for Payment
<input type="checkbox"/> Expenditure Report
<input type="checkbox"/> Program Income
<input type="checkbox"/> Encumbrances or Obligations
<input type="checkbox"/> Cancelled Checks or Bank Statements
<input type="checkbox"/> Invoices/Purchase Orders
<input type="checkbox"/> Single Audit(s)

Checklist will indicate which documents monitoring staff need prior to a monitoring. Documents should be provided in the timeframe noted in the Notification Letter.





Notification Letter Packet



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Subrecipient Document Request Checklist

General

<input type="checkbox"/> Copy of Signed Standard Agreement/Amendments
<input type="checkbox"/> Certificate of Insurance
<input type="checkbox"/> Organizational Chart including staff working on CDBG-DR Program
<input type="checkbox"/> Equal employment opportunity affirmative action plan and policies

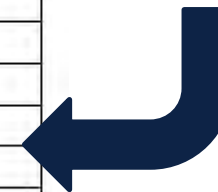
Project

<input type="checkbox"/> Documentation that project meets a National Objective
<input type="checkbox"/> Documentation of other funding sources for assistance
<input type="checkbox"/> Scope of work
<input type="checkbox"/> Progress reports

Finance

<input type="checkbox"/> Grant Award and Budgets
<input type="checkbox"/> Accounting Procedures
<input type="checkbox"/> General Ledger or Charter of Accounts
<input type="checkbox"/> Requests for Payment
<input type="checkbox"/> Expenditure Report
<input type="checkbox"/> Program Income
<input type="checkbox"/> Encumbrances or Obligations
<input type="checkbox"/> Cancelled Checks or Bank Statements
<input type="checkbox"/> Invoices/Purchase Orders
<input type="checkbox"/> Single Audit(s)

HCD monitoring staff will only request documents not currently in Grants Network or any applicable HCD file management system.





Financial Monitoring and the Monitoring Engagement

Pre-Monitoring

Monitoring Event

Post-Monitoring



Monitoring Engagement Components

Monitoring Event

Entrance
Conference

Monitoring
Review

Exit
Conference



Entrance Conference

HCD monitoring staff will start every monitoring with an entrance conference. This will allow HCD staff to:

- Identify themselves,
- Discuss logistics of the monitoring,
- Allow the subrecipient to ask any questions regarding the conducting of a monitoring engagement.

Notes will be taken by HCD monitoring staff during the entrance conference and will be provided to the subrecipient.

Entrance Conference Date:

Entrance Conference Start Time:

Entrance Conference Location:

I. Welcome & Introductions

- a. Overview of Entrance Conference
- b. Name, Position, Role
- c. Contact Information (*See Contact List*)

Notes:

II. Monitoring Visit Overview

- a. Monitoring Scope
- b. Location Logistic (*e.g. restrooms, office, fire exit, lunch break, etc.*)
- c. Monitoring Visit Process
- d. Monitoring Timeline

Notes:

III. Preliminary Interview Scheduling (see Appointments Log)

Notes:



Monitoring Engagement Components

Monitoring Event

Entrance
Conference

Monitoring
Review

Exit
Conference



Monitoring Review

Financial Monitoring Review: Checklists	6
A. FINANCIAL MANAGEMENT – ACCOUNTING	6
B. INTERNAL CONTROLS	10
C. PROGRAM INCOME	12
D. REPORTING	14



Monitoring Review

Monitoring checklists will be used to conduct a review on several areas of regulatory compliance to determine the subrecipient's current level of compliance and actions needed to correct any issues identified.

Financial Monitoring Review: Checklists	6
A. FINANCIAL MANAGEMENT – ACCOUNTING.....	6
B. INTERNAL CONTROLS	10
C. PROGRAM INCOME	12
D. REPORTING.....	14





Monitoring Review Example: Financial Management Accounting

SOURCES

- Subrecipient agreement (or equivalent legal document)
- Chart of accounts
- General ledger and subsidiary ledgers
- Financial reports (submitted to the HCD)
- Supporting documentation
- Inventory of assets

METHODOLOGY

- Trace jurisdiction's general ledger to its financial statements
- Review project files for documentation
- Examine inventory of assets

<p>2. Do the jurisdiction's accounting records identify CDBG-DR awards from HCD, received and expended, by specifying, as applicable, the program title and number, award identification number and year, and HCD's name as the awarding agency? (This requirement is addressed through the existence of a chart of accounts.) [2 CFR 200.302(b)(1)]</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>
<p>Describe Basis for Conclusions</p> <ul style="list-style-type: none"> • <i>What is reviewed and found?</i> [REDACTED] • <i>How does that compare to requirements?</i> [REDACTED] • <i>Does condition require corrective action?</i> [REDACTED] • <i>What is preliminary decision?</i> Choose an item. 	



Monitoring Review Example: Financial Management Accounting

SOURCES

- Subrecipient agreement (or equivalent legal document)
- Chart of accounts
- General ledger and subsidiary ledgers
- Financial reports (submitted to the HCD)
- Supporting documentation
- Inventory of assets

METHODOLOGY

- Trace jurisdiction's general ledger to its financial statements
- Review project files for documentation
- Examine inventory of assets

HCD monitoring staff will review the applicable financial documents prior to making a compliance determination.



<p>2. Do the jurisdiction's accounting records identify CDBG-DR awards from HCD, received and expended, by specifying, as applicable, the program title and number, award identification number and year, and HCD's name as the awarding agency? (This requirement is addressed through the existence of a chart of accounts.) [2 CFR 200.302(b)(1)]</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>
<p>Describe Basis for Conclusions</p> <ul style="list-style-type: none"> • <i>What is reviewed and found?</i> <input type="text"/> • <i>How does that compare to requirements?</i> <input type="text"/> • <i>Does condition require corrective action?</i> <input type="text"/> • <i>What is preliminary decision?</i> Choose an item. 	

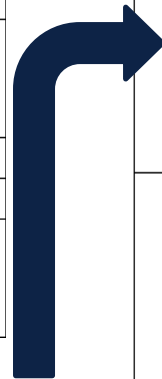


Monitoring Review Example: Financial Management Accounting

Activity/Projects	Grant	Award Number	Award Amount	Awarding Agency
Housing Project (1234)	CDBG-DR	LD-123456	6.5 <u>Million</u>	HCD
Work Force Development (2345)	CDBG-MIT	SB-78910	7.8 <u>Million</u>	HCD
MIT-RIP (3456)	CDBG-MIT	SA-123457	1.5 <u>Million</u>	HCD
MIT-PPS (4567)	CDBG-MIT	CD-123458	2 <u>Million</u>	HCD
Program Administration (5678)	MIT/DR	HR-78912	1 <u>Million</u>	HCD

After reviewing the documents, HCD monitoring staff will review the question and determine if the document meets compliance.

In this example, HCD would review the chart of accounts to ensure the appropriate information is contained in the document.



<p>2. Do the jurisdiction's accounting records identify CDBG-DR awards from HCD, received and expended, by specifying, as applicable, the program title and number, award identification number and year, and HCD's name as the awarding agency? (This requirement is addressed through the existence of a chart of accounts.) [2 CFR 200.302(b)(1)]</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>
<p>Describe Basis for Conclusions</p> <ul style="list-style-type: none"> • <i>What is reviewed and found?</i> <input type="text"/> • <i>How does that compare to requirements?</i> <input type="text"/> • <i>Does condition require corrective action?</i> <input type="text"/> • <i>What is preliminary decision? Choose an item.</i> 	



Monitoring Review Example: Financial Management Accounting

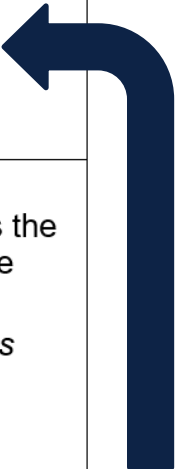
Activity/Projects	Grant	Award Number	Award Amount	Awarding Agency
Housing Project (1234)	CDBG-DR	LD-123456	6.5 <u>Million</u>	HCD
Work Force Development (2345)	CDBG-MIT	SB-78910	7.8 <u>Million</u>	HCD
MIT-RIP (3456)	CDBG-MIT	SA-123457	1.5 <u>Million</u>	HCD
MIT-PPS (4567)	CDBG-MIT	CD-123458	2 <u>Million</u>	HCD
Program Administration (5678)	MIT/DR	HR-78912	1 <u>Million</u>	HCD

2. Do the jurisdiction's accounting records identify CDBG-DR awards from HCD, received and expended, by specifying, as applicable, the program title and number, award identification number and year, and HCD's name as the awarding agency? (This requirement is addressed through the existence of a chart of accounts.)
[2 CFR 200.302(b)(1)]

Yes
 No
 N/A

Describe Basis for Conclusions

- *What is reviewed and found?* A review of the chart of accounts indicates the required information is present and allows the Subrecipient to identify the necessary information for tracking and reporting.
- *How does that compare to requirements?* Meets applicable requirements
- *Does condition require corrective action?* No
- *What is preliminary decision?* Not Applicable



HCD monitoring staff, after a review of the Charts of Accounts as indicated in the checklist question, have made a determination that the documentation meets at least the minimum standards for compliance. Based on this determination, there is no finding or concern on this question.



Monitoring Review Example: Internal Controls

Sources

- Policies and procedures
- Record of assessment
- Organizational chart
- Job Descriptions

Methodology

- Review policies and procedures
- Discuss assessment
- Determine existence of organizational chart
- Examine procedures and job descriptions to assess practice of segregating duties.

c. Does the local jurisdiction have an organization chart that sets forth the actual lines of responsibility for CDBG-DR awards?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
--	---

Describe Basis for Conclusions

- *What is reviewed and found?* [REDACTED]
- *How does that compare to requirements?* [REDACTED]
- *Does condition require corrective action?* [REDACTED]
- *What is preliminary decision?* Choose an item.

d. Are duties and responsibilities segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? For example, do the local jurisdiction's procedures preclude one person from issuing purchase orders, receiving merchandise, and approving payment vouchers?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
---	---

Describe Basis for Conclusions

- *What is reviewed and found?* [REDACTED]
- *How does that compare to requirements?* [REDACTED]
- *Does condition require corrective action?* [REDACTED]
- *What is preliminary decision?* Choose an item.



Monitoring Review Example: Internal Controls

c. Does the local jurisdiction have an organization chart that sets forth the actual lines of responsibility for CDBG-DR awards?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
--	---

Describe Basis for Conclusions

- *What is reviewed and found?* [redacted]
- *How does that compare to requirements?* [redacted]
- *Does condition require corrective action?* [redacted]
- *What is preliminary decision?* Choose an item.

d. Are duties and responsibilities segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? For example, do the local jurisdiction's procedures preclude one person from issuing purchase orders, receiving merchandise, and approving payment vouchers?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
---	---

Describe Basis for Conclusions

- *What is reviewed and found?* [redacted]
- *How does that compare to requirements?* [redacted]
- *Does condition require corrective action?* [redacted]
- *What is preliminary decision?* Choose an item.

SOURCES

- Policies and procedures
- Record of assessment
- Organizational chart
- Job descriptions

METHODOLOGY

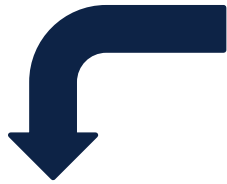
- Review policies and procedures
- Discuss assessment
- Determine existence of organizational chart
- Examine procedures and job descriptions to assess practice of segregating duties



HCD monitoring staff will review the applicable financial documents prior to making a compliance determination. This will allow an analysis of documentation to determine where deficiencies may exist and are potential weaknesses.



Monitoring Review Example: Internal Controls



HCD monitoring staff will review the applicable organization documents prior to making a compliance determination. This will allow an analysis of documentation to determine compliance.

c. Does the local jurisdiction have an organization chart that sets forth the actual lines of responsibility for CDBG-DR awards?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
--	---

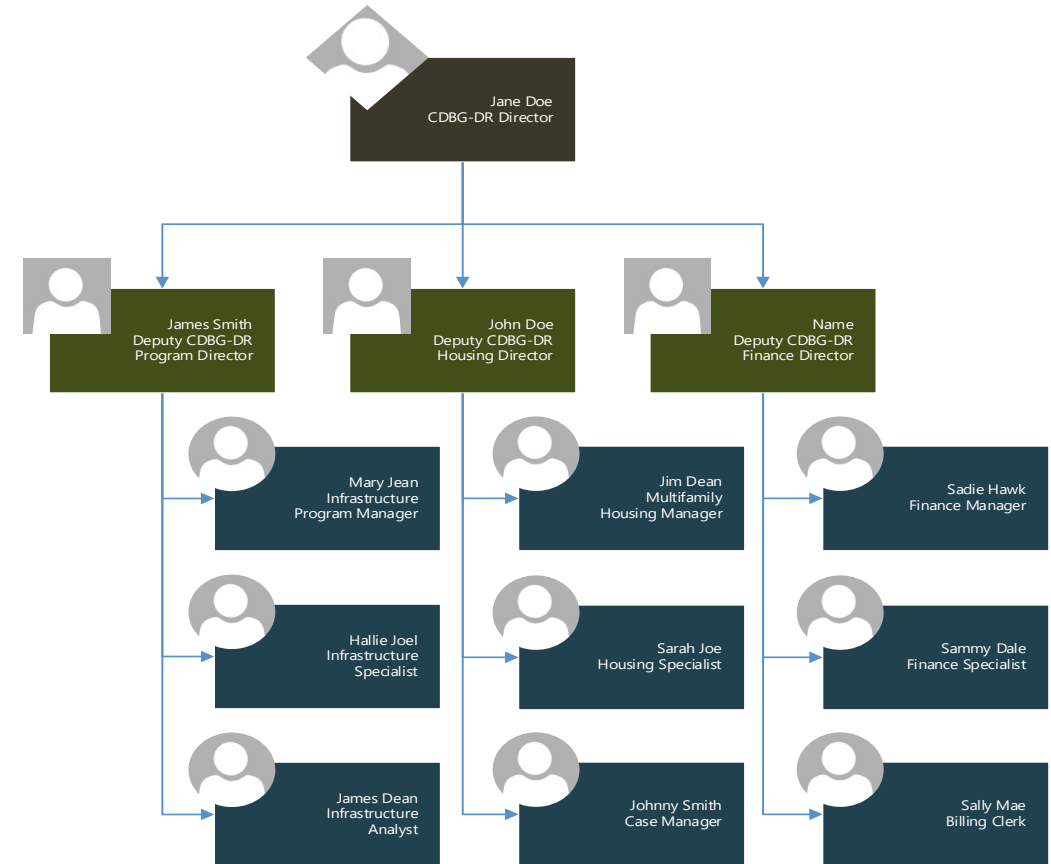
Describe Basis for Conclusions

- *What is reviewed and found?* [Redacted]
- *How does that compare to requirements?* [Redacted]
- *Does condition require corrective action?* [Redacted]
- *What is preliminary decision?* Choose an item.

d. Are duties and responsibilities segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? For example, do the local jurisdiction's procedures preclude one person from issuing purchase orders, receiving merchandise, and approving payment vouchers?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
---	---

Describe Basis for Conclusions

- *What is reviewed and found?* [Redacted]
- *How does that compare to requirements?* [Redacted]
- *Does condition require corrective action?* [Redacted]
- *What is preliminary decision?* Choose an item.





Monitoring Review Example: Internal Controls

c. Does the local jurisdiction have an organization chart that sets forth the actual lines of responsibility for CDBG-DR awards? Yes No N/A



Describe Basis for Conclusions

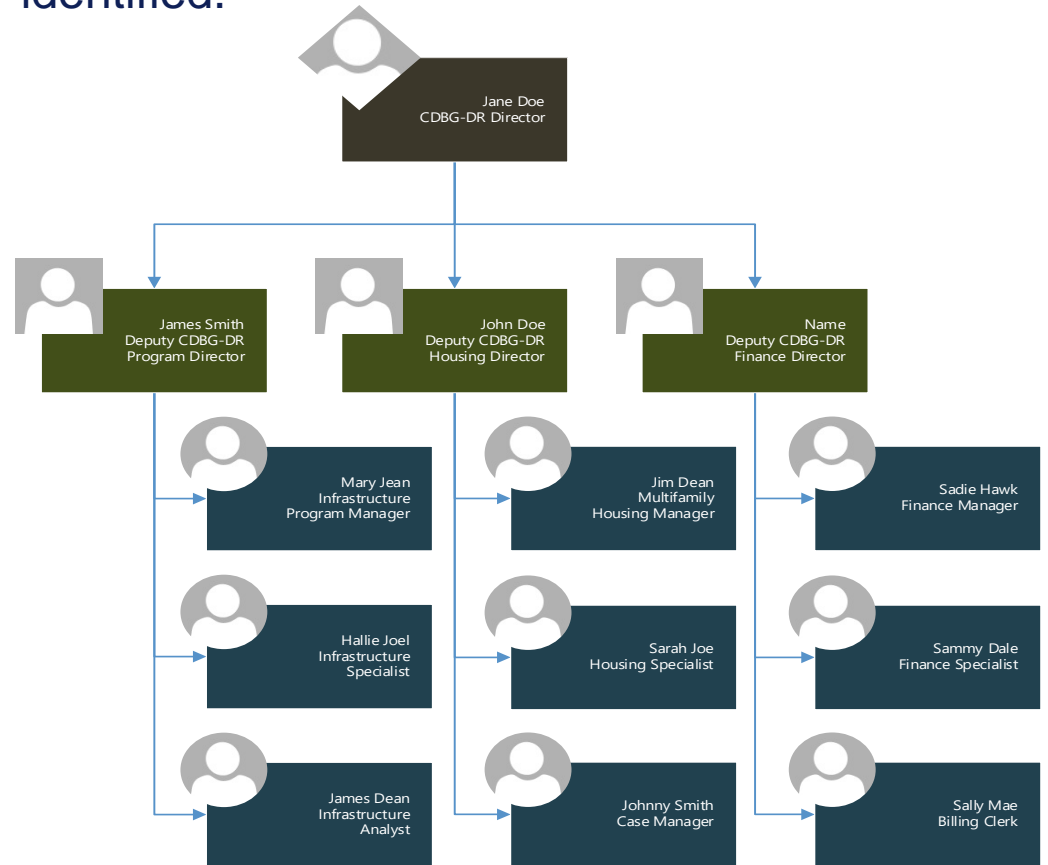
- *What is reviewed and found?* Detailed Org Chart of names and positions
- *How does that compare to requirements?* Meets compliance standards
- *Does condition require corrective action?* No
- *What is preliminary decision?* Not Applicable

d. Are duties and responsibilities segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? For example, do the local jurisdiction's procedures preclude one person from issuing purchase orders, receiving merchandise, and approving payment vouchers? Yes No N/A

Describe Basis for Conclusions

- *What is reviewed and found?* Subrecipient was missing documentation that indicates a clear separation of duties. Additionally, the actual process being used demonstrates that there is no separation of duty when it comes to checks management.
- *How does that compare to requirements?* No separation of duty as required by HUD and Internal controls standards
- *Does condition require corrective action?* Yes
- *What is preliminary decision?* Finding

HCD monitoring staff determined that the Org Chart met standards, so no issues were identified.





Monitoring Review Example: Internal Controls

d. Are duties and responsibilities segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? For example, do the local jurisdiction's procedures preclude one person from issuing purchase orders, receiving merchandise, and approving payment vouchers?

Yes No N/A

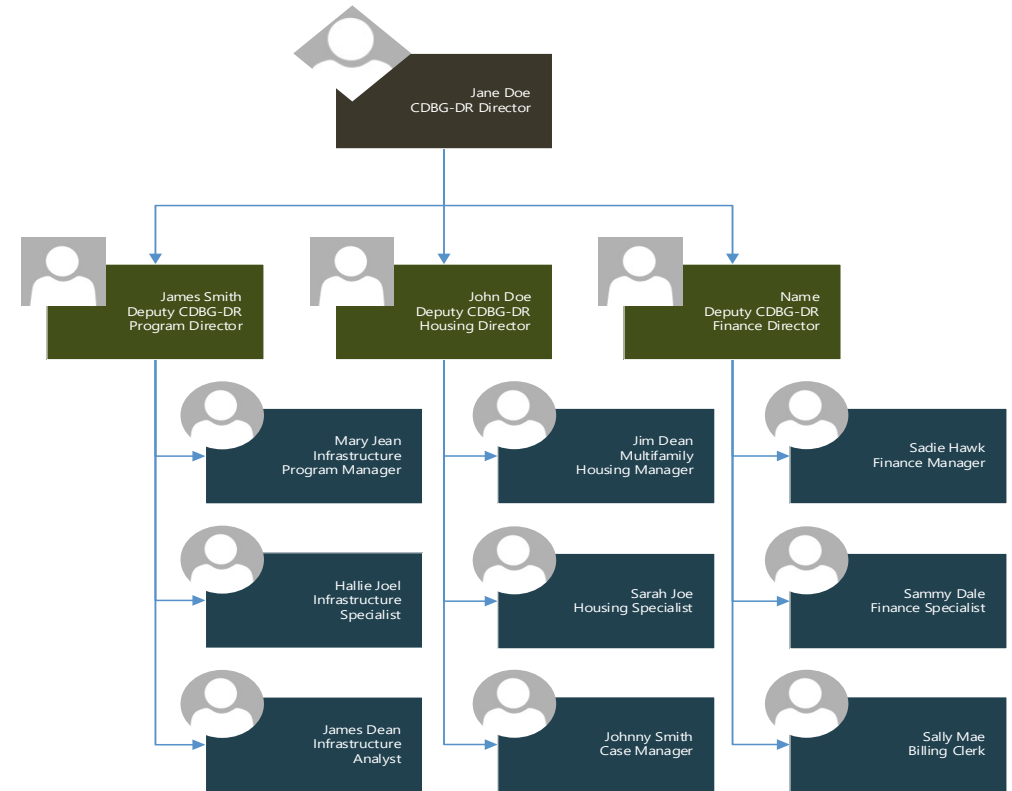
Describe Basis for Conclusions

- *What is reviewed and found?* Subrecipient was missing documentation that indicates a clear separation of duties. Additionally, the actual process being used demonstrates that there is no separation of duty when it comes to checks management.
- *How does that compare to requirements?* No separation of duty as required by HUD and Internal controls standards
- *Does condition require corrective action?* Yes
- *What is preliminary decision?* Finding



After a determination by HCD monitoring staff that the subrecipient does not have sufficient controls in place related to separation of duties, a finding is issued due to the risk levels that could lead to issues of:

1. Fraud
2. Mismanagement of funds due to lack of oversight





Documenting Compliance: Financial Management

- Budgets
 - Original
 - Amended budgets
 - Current budget
 - Budget reconciliations

HCD Financial Reporting workbook/invoice

Support documents

- Program Income – as applicable
 - Reports
 - Tracking documents
- Financial Organizational Chart
- Bank statements – as applicable to grant(s)/program(s)
- Other financial reports

NOTE: This is NOT an all-inclusive list of regulatory documents. Additional documents may be required to document the complete process and decision-making actions. The documents listed above are the main documents.



Documenting Compliance: Financial Management - Invoicing

<input checked="" type="checkbox"/>	Required Contents	Purpose
<input type="checkbox"/>	Identify the date of purchase or period of performance of services	To establish if the goods or services were purchased within the period of the Standard Agreement with HCD; and the contract period between the subrecipient and the vendor
<input type="checkbox"/>	Itemize the goods or services purchased (quantity and amount). Time and Materials contracts must include the name/position, rate, and hours worked per day along with a description of the task(s) performed for each time entry being invoiced.	To identify the cost per unit (e.g., goods purchases, hours worked, etc.,).
<input type="checkbox"/>	Reflect the total cost net applicable credits or discounts	To identify how the sum of costs per unit equals the amount requested for payment, less any deductions, discounts, or credits



Documenting Compliance: Financial Management - Invoicing (cont'd)

<input checked="" type="checkbox"/>	Checklist Item
<input type="checkbox"/>	Acceptable and legible supporting documentation for each type of cost incurred, with clear indications that costs were approved for payment in accordance with local payment procedures
<input type="checkbox"/>	Acceptable and legible supporting documentation for each type of cost incurred by sub-tier subrecipients, with clear indications that costs were approved for payment in accordance with local subrecipient and sub-tier subrecipient payment procedures
<input type="checkbox"/>	The amounts on the supporting documentation sum to the amount requested for reimbursement on the required Financial Report Cover Sheet and Expenditure Form and on the Grants Network Financial Report?
<input type="checkbox"/>	Costs are eligible, do not exceed budgets by type of cost, have not already been reimbursed by CDBG-DR or another funding source, and were incurred during the period of performance
<input type="checkbox"/>	Costs otherwise treated as indirect costs are not being treated as direct costs
<input type="checkbox"/>	The indirect cost rate (if applicable) was properly applied to Modified Total Direct Costs (MTDCs) only



Monitoring Engagement Components

Monitoring Event

Entrance
Conference

Monitoring
Review

Exit
Conference



Exit Conference

Exit Conference Date:
Exit Conference Time:
Exit Conference Location:

I. Introductions

II. Review of Monitoring Process

- Scope
- Location
- Other Details

III. Monitoring Report - Results (*e.g. Determination of Compliance, Possible Recommendation(s)*)

Notes:

IV. Requested Documents and Outstanding Questions – *See Document Log*

Notes:

V. Next Steps (Timeline, Expectations)

VI. Questions and Answers

Notes:



Exit Conference

Exit Conference Date:
Exit Conference Time:
Exit Conference Location:



Indicates the date on which the exit conference took place (for either on-site or remote monitoring), but also starts the clock on when a subrecipient needs to submit the outstanding items or responses to address applicable issues identified during exit conference.

I. Introductions

II. Review of Monitoring Process

- Scope
- Location
- Other Details

III. Monitoring Report - Results (e.g. Determination of Compliance, Possible Recommendation(s))

Notes:

IV. Requested Documents and Outstanding Questions – See Document Log

Notes:

V. Next Steps (Timeline, Expectations)

VI. Questions and Answers

Notes:

Acknowledgement Statement

HCD Personnel Signature/Print Name

Subrecipient Representative Signature/Print Name



Exit Conference

Exit Conference Date:
Exit Conference Time:
Exit Conference Location:

I. Introductions

II. Review of Monitoring Process

- Scope
- Location
- Other Details

III. Monitoring Report - Results (e.g. Determination of Compliance, Possible Recommendation(s))

Notes:

IV. Requested Documents and Outstanding Questions – See Document Log

Notes:

V. Next Steps (Timeline, Expectations)

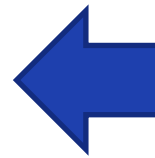
VI. Questions and Answers

Notes:

Acknowledgement Statement

HCD Personnel Signature/Print Name

Subrecipient Representative Signature/Print Name



Covers – at a high-level – the preliminary results of the monitoring engagement.

Results identified here can change – **to include additional issues that were not discussed during the monitoring** – depending on several factors or responses provided by the subrecipient and/or additional research.

It is important to note that this this is not a final list.

- Additional issues identified within the Monitoring Report Letter (MRL) **MAY NOT** be tied to the issues identified here.



Exit Conference

Exit Conference Date:
Exit Conference Time:
Exit Conference Location:

I. Introductions

II. Review of Monitoring Process

- Scope
- Location
- Other Details

III. Monitoring Report - Results (e.g. Determination of Compliance, Possible Recommendation(s))

Notes:

IV. Requested Documents and Outstanding Questions – See Document Log

Notes:

V. Next Steps (Timeline, Expectations)

VI. Questions and Answers

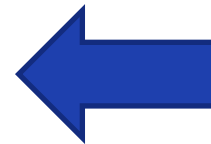
Notes:

Acknowledgement Statement

HCD Personnel Signature/Print Name

Subrecipient Representative Signature/Print
Name

Notates any additional needs related to the document log. The document log will be where the subrecipient can locate the outstanding questions and document needs. The log will also be provided with the Exit Conference Agenda.



Typically, monitoring staff will note questions or comments by the subrecipient, which may require additional research or documentation.



Exit Conference

Exit Conference Date:
Exit Conference Time:
Exit Conference Location:

I. Introductions

II. Review of Monitoring Process

- Scope
- Location
- Other Details

III. Monitoring Report - Results (e.g. Determination of Compliance, Possible Recommendation(s))

Notes:

IV. Requested Documents and Outstanding Questions – See Document Log

Notes:

V. Next Steps (Timeline, Expectations)

VI. Questions and Answers

Notes:

Acknowledgement Statement

HCD Personnel Signature/Print Name

Subrecipient Representative Signature/Print Name



Will list out remaining needs, next steps, and what the subrecipient still needs to provide or respond to prior to the Monitoring Report Letter (MRL) being sent out.

This will also set the deadlines for the subrecipients to submit documentation and responses to questions prior to the finalization of the MRL.



Exit Conference

Exit Conference Date:
Exit Conference Time:
Exit Conference Location:

I. Introductions

II. Review of Monitoring Process

- Scope
- Location
- Other Details

III. Monitoring Report - Results (e.g. Determination of Compliance, Possible Recommendation(s))

Notes:

IV. Requested Documents and Outstanding Questions – See Document Log

Notes:

V. Next Steps (Timeline, Expectations)

VI. Questions and Answers

Notes:

Acknowledgement Statement

HCD Personnel Signature/Print Name

Subrecipient Representative Signature/Print Name



Both HCD monitoring staff and the appropriate subrecipient staff member will sign off on the Exit Conference Agenda, which acknowledges what was discussed and agreed upon.



Financial Monitoring and the Monitoring Engagement

Pre-Monitoring

Monitoring Engagement

Post-Monitoring



Monitoring Engagement Components

Post-Monitoring

Preliminary
Response

Monitoring
Report and
Letter

Subrecipient
Response

Corrective
Action
Complete
Letter



Preliminary Response

- This is the week after the monitoring engagement where subrecipients may provide additional – requested – information and documentation to address any issues identified during the exit conference.
- The subrecipient may also ask questions to HCD monitoring staff.



Monitoring Report and Letter

- This is a two-part document:
 - Monitoring Report Cover Letter
 - Monitoring Report Form
- The Monitoring Report Form and Letter will detail the program(s) and project(s) monitored, areas of deficiencies (findings and/or concerns) and any required action.
- Included in the letter is the deadline for when the subrecipient must provide the required response(s) or request an extension.
- Extensions will only be approved for extenuating circumstances. It should be expected that documentation or additional explanation may be required.
 - Example: Offices were shut down due to wildfires.



Monitoring Report Cover Letter

The purpose of this letter is to provide the results of the programmatic monitoring of the Name of Subrecipient's (City/County/Agency) CDBG-DR Program conducted by HCD's Monitoring Staff during (Month Date(s), Year). Taking the form of a (Insert desk-monitoring or on-site monitoring), the review aimed to assure that the City/County/Agency's implementation and administration of its Project Name (Project Identifier) is in compliance with the applicable federal and state statutory requirements, regulations, and policies.

The monitoring event focused on the following areas:

- Area of Review 1
- Area of Review 2

Results of the monitoring were discussed during the exit conference with City/County/Agency staff and the enclosed Monitoring Report provides related details including any necessary corrective actions to resolve the findings and/or concerns identified.

Any necessary responses to the finding(s), concern(s), and corrective actions must be provided to HCD by (Insert date (30 business days from date of this letter). If additional time is necessary, the City/County/Agency should contact the appropriate monitor – in writing – to request an extension.

The City/County/Agency is encouraged to continue to work with HCD, HUD, or third parties in building capacity and development of tools needed to successfully implement the program.

If you have any questions regarding the reported results of this monitoring event, please do not hesitate to contact Monitor's Name via phone at (916) 263-####, or via email at insert email address.



Monitoring Report Form

Monitoring Issue(s) Raised by Review:

Finding(s) ¹

a. Description

Describe what was found:

[Internal Controls - Subrecipient's process is out of compliance with the requirement of separation of duties.]

Provide specifics for the issue and basis for conclusion:

[Duties and responsibilities are, or are not, segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? Procedures must preclude one person from issuing purchase orders, receiving merchandise.]

Reference Checklist²

b. Corrective Action

List those corrective actions that must be taken:

[The subrecipient must take steps to segregate duties and responsibilities in written policies and procedures.]



Monitoring Report Letter: Finding

Finding: A deficiency in performance for which there is clear noncompliance with a statutory, regulatory, DR-, or MIT-specific requirement.

Financial Finding Example: A review of the CDBG-DR Infrastructure project showed the subrecipient earned more than the \$35,000 per quarter and was not reporting to HUD or keeping an accurate record of how the Program Income was being expended. This is in non-compliance with 2 CFR 200.307



Monitoring Report Letter: Concern

Concern: An area of noncompliance 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.

Financial Concern Example: The subrecipient failed to provide evidence that it submitted its annual Single Audit to the Federal Audit Clearinghouse (FAC) within 6 months of the end of the subrecipient's fiscal year.



Monitoring Report Letter: Corrective Action

Corrective Action: Action taken by the subrecipient that corrects identified deficiencies, addresses a concern, or otherwise produces recommended improvements.

Financial Corrective Action Example: The subrecipient must update its policies and procedures to include reporting and tracking of Program Income (PI), including an actual accounting for all PI which has reached the threshold trigger for current and prior years.



Common Findings



Common Finding: Recordkeeping

24 CFR 570.490, 2CFR 200.334 and 200.337

- “State shall establish and maintain such records as may be necessary to facilitate review and audit by HUD...”
- Lack of recordkeeping may signify deeper deficiencies.



Common Finding: Financial Management

- 24 CFR 570.489(d) - Fiscal Controls and Accounting Procedures
- 2 CFR 200 - Financial Management and Overall Management
- HUD will:
 - Check Financial Management DRGR reports (e.g., F67 - Grant Financial Summary Report - by Activity, Responsible Organization, Activity Type, and National Objective),
 - Interview staff, and
 - Review source documentation that establishes “basis of cost.”



Common Finding: Financial Management/Procurement

- 24 CFR 570.489(g)—vendors
- 24 CFR 570.489(h)—conflict of interest
- Sole source, non-competitive procurement, and “plus up” modification of existing contracts
- 2 CFR 200.323—cost or price Analysis in advance of issuing bid
- Lack of HUD-required provisions (e.g., Section 3; Minority and Women’s Enterprise opportunities)
- Benchmarks:
 - Performance requirements
 - “Penalties” or liquidated damages – applies to ALL contracts (including those for administrative services)
- Overuse of change orders or adding work to existing contracts



Common Finding: National Objective

24 CFR 570.483

- Most commonly cited for wrongly calculating Low/Moderate Income (LMI) Area Benefit service areas.

Basically CDBG (HUD training)



Monitoring Preparation: Best Practices



Have enough information to prepare effectively?

- The Monitoring Notification Letter provides the scope of the monitoring.
- **Communicate, Communicate, and Communicate**
 - If there are questions or items you are unclear on related to any of the scope of the monitoring, please **ASK**.
 - Ask as many times as needed – and request it in writing – to be able to sufficiently prepare for the monitoring.
 - Understand the “who, what, when, where, and how.”
- The HCD monitoring staff are here to support the subrecipient throughout the monitoring process until monitoring engagement closeout.



Monitoring Activities: Access to Records

- If login and passwords are necessary, IT may need to test accounts to ensure the intended individual can log in.
 - Recommend testing at least 1-2 weeks prior to the entrance conference.
- Test the view to ensure monitors have sufficient viewing rights.
- Send login and password information to monitors prior to the entrance conference to confirm access to the system(s).
 - Limit time spent on system access issues during the monitoring engagement.



Monitoring Staffing Needs

- Determine who is required to participate, i.e., someone with a specialized knowledge base relevant to the focus area(s) reviewed.
- Staff and/or contractors who should be present, available for phone calls, conference calls, or timely email response for the entire duration of the monitoring include:
 - Staff who bill their time directly to grant funds, for example:
 - Administration
 - Program Managers
 - Purchasing Department – if applicable
 - Finance Department – if applicable
 - Engineering Department – if applicable
 - Contractors:
 - Administrative or professional service contractors who are contracted to assist with monitoring – if applicable



Monitoring Prep: Self-Evaluation

- A monitoring preparation self-evaluation should happen as soon as you are notified of the monitoring engagement.
- Focus on specific areas called out for monitoring.
- Subrecipients should conduct the following activities:
 - Use a checklist template
 - Conduct a file review
 - Using the checklist template – for a uniform and consistent review – review program management and project specific files to ensure documents are in the file and any necessary supporting evidence is also there.
 - Record what documents are missing and work on locating documents – this may require additional research.
 - Organize files in a manner which can be easily explained, e.g., in chronological or versioning order.



Self-Evaluation Reviews

- Use the HUD monitoring checklists to self-evaluate records, progress, and a high-level compliance.
- Goal is to have the ability to clearly answer “Yes.”
- **NOTE:** Results of self-evaluations DO NOT mean that a monitoring will result in no finding/concern reports.

Exhibit 6-2 - Guide for Review of Flood Zone and Floodway Buyouts and Non-Buyout Acquisitions

Exhibit 6-3 - Guide for Review of New Construction of Housing

Exhibit 6-4 - Guide for Review of Infrastructure

Exhibit 6-5 - Guide for Review of Economic Development

Exhibit 6-6 - Guide for Review of Housing Rehabilitation and Reconstruction

Exhibit 6-7 - Guide for Review of Written Agreements

Exhibit 6-8 - Guide for Review of Procurement

Exhibit 6-9 - Guide for Review of Financial Management (REMOVED)

Exhibit 6-10 - Guide for CDBG-DR (Addendum for Pre-2011 Disasters)

Exhibit 6-11 - Guide for CDBG-DR (Addendum for 2011– 2013 Disasters)

Exhibit 6-12 - Addendum Guide for Review of CDBG-DR 2015 Disasters

Exhibit 6-13 - Addendum Guide for Review of CDBG-DR 2016 Disasters

Exhibit 6-14 - Addendum Guide for Review of CDBG-DR 2017 Disasters

Exhibit 6-15 - Addendum Guide for Review of CDBG-Mitigation (MIT) Grantees



File Review

Should a document be in a file?

- File completeness and conciseness – working together to demonstrate compliance:
 - **File completeness:** File system shows a complete picture of “what happened.”
 - **File conciseness:** Are the documents organized in a manner to where monitors are not having to dig through numerous incomplete documents to get an understanding of the “what happened”?
- **REMEMBER:** Monitoring is a snapshot assessment of compliance in a moment in time.



File Review (Cont.'d)

- **What documents can you remove and still maintain complete files?**
 - **Duplicates:** Monitors should not see multiple versions of the EXACT same document (if there are differences, e.g., approved policy versions, that is different).
 - **Drafts and unexecuted documents:** These documents DO NOT exist as they are not official and do not help the monitor document project progression. They also tend to be duplicate documents.
 - **EXCEPTION:** Contracts that are in the process of being executed – if there are no changes to the contract, you should consider maintaining in the records.
- **NOTE:** Draft versions of policies and procedures will lead to requests for the official documents. If the policies are not approved, **DO NOT INCLUDE THE DRAFT VERSIONS** in the files for review and only share as requested.



File Review: Is a File Complete?

- When reviewing a file for completeness and accuracy, focus on key items:
 - **Communication**
 - Communication with contractors
 - Communication with approving entity
 - Communication (to include meeting notes) to support decision making
 - **Outreach**
 - Trainings, Section 3, Fair Housing
 - Outreach to contractors
 - Outreach to MBE/WBEs and Section 3 business
 - Outreach to contractors or other entities that may have negatively impacted project/program
 - **Actions:**
 - Ensure all signature lines are complete and dated as appropriate
 - Examples: procurement step-by-step actions
 - Notification history

RECOMMENDATION: Build your files to “tell the story” of your program history.



Questions?



Next Steps: What's to Come

- The next steps will be based on the Subrecipient Risk Assessment and guided by the Monitoring Schedule.
 - A small number of subrecipients can expect to be contacted about a monitoring engagement this Summer/early Fall.
 - Each of those subrecipients will hear from HCD 45 days prior to the monitoring event.
 - The main topic will be *Financial Management* and related matters.
 - Further details will be included in the notification (as illustrated during this webinar session).
- Both the first selected subrecipients and all others should:
 - Continue to prepare for possible monitoring reviews.
 - Routinely document compliance and recordkeeping.
 - Maintain regular communications with HCD program liaisons.
 - Review the [CDBG-DR Monitoring Plan](#) for further details and anticipate HCD release of monitoring checklists on topics in advance of monitoring engagements.
 - Attend upcoming training webinars on those topics to obtain a deeper understanding.



Additional Resources

- [ReCoverCA CDBG-DR/MIT Grant Management Resources webpage \(HCD website\)](#)
 - [CDBG-DR Monitoring Plan](#)
 - [CDBG-DR Grant Admin Manual \(CDBG-MIT Addendum\)](#)
 - [Citizen Participation Plan](#) and *Federal Register Notices* requirements
 - Other subrecipient training materials (**including this one COMING SOON**)
- HCD CDBG-DR/MIT Action Plans, Quarterly Performance Reports, and Program Policies and Procedures
 - [2017 CDBG-DR Programs](#)
 - [2017 and 2018 CDBG-MIT Programs](#)
 - [2018 CDBG-DR Programs](#)



Closing Remarks

- Any remaining questions in the chat feature which have not been answered will be addressed within the Frequently Asked Questions (FAQs).
- The following materials will be available for reference on the HCD DR Grant Management Resources webpage in the coming weeks:
 - Presentation
 - Webinar recording
 - FAQs



Thanks for Your Participation!



Stay in the know: Sign up for HCD email at www.hcd.ca.gov



California Department of
Housing and Community Development



Grants & Funding

Manufactured & Mobilehomes

Building Standards

Planning & Community Development

Policy & Research

Select Language

Powered by

Google Translate



IMPROVING LIVES & COMMUNITIES ACROSS CALIFORNIA



Contact



Email Sign up



Questions, Comments, Feedback



Follow HCD on social media



Like us on Facebook: [/CaliforniaHCD](#)



Follow us on Twitter: [@California_HCD](#)



Follow us on LinkedIn: [/company/californiahcd](#)