

SUBRECIPIENT MONITORING PLAN
Community Development Block Grant Program
Emergency Solutions Grant
Housing Opportunities for Persons with AIDS/HIV
Sacramento Housing and Redevelopment Agency

INTRODUCTION

The Sacramento Housing and Redevelopment Agency (Agency) administers the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG) and Housing Opportunities for Persons with AIDS/HIV (HOPWA) programs (collectively known as CPD Programs) for the City and County of Sacramento. Generally, the Agency is responsible for monitoring activities carried out in furtherance of the Consolidated Plan and One-year Action Plans and for ensuring long-term compliance with the requirements at 24 CFR 91.230. This accountability is not limited to activities implemented directly by the Agency or by the City or County, but applies to the programs and activities carried out by subrecipients. CDBG regulations (24 CFR 570.501), ESG Regulations (24 CFR Part 576.500, and HOPWA regulations (24 CFR Part 574.500) and Uniform Guidance (2 CFR Part 200.330 – 331) state that the Agency is responsible for determining the adequacy of performance under subrecipient agreements and procurement contracts, and for taking appropriate action when performance problems arise.

PURPOSE

The purpose of this plan is to provide information and guidance for Agency staff to meet subrecipient monitoring requirements. The plan gives a step-by-step description of how the Agency conducts monitoring reviews and maintains documentation of visits and resolution of problems.

This monitoring plan describes:

- Objectives of monitoring;
- Monitoring strategy, including risk assessment methodology; and
- Procedures for conducting on-site monitoring, including scheduling visits and monitoring checklists.

The Federal Programs Division is responsible for administration of the CPD Programs, including overseeing implementation of activities and subrecipient monitoring. Agency administrative staff consists of:

Assistant Director, Development & Federal Programs
Manager, Development & Federal Programs
Senior Redevelopment Planner
Community Development Analyst/Specialist I/II

MONITORING OBJECTIVES

The following are the Agency's objectives:

- To meet federal law and regulatory requirements regarding monitoring CPD Program activities, including 2 CFR Parts 200.330-331 and 200.336, 24 CFR 570.501(b), 24 CFR 570.611, 574.500, 674.625, 576.500, and 24 CFR 91.230;
- To determine if the subrecipient is:
 - Carrying out its program and activities as described in the application to HUD and the Subrecipient Agreement;
 - Carrying out its activities in a timely manner, in accordance with the schedule in the Subrecipient Agreement;
 - Charging costs to the project which are eligible under appropriate federal regulations, and reasonable in light of the services or products delivered; and
 - Conducting its activities with adequate control over program and financial performance and in a way that minimizes opportunities for waste, mismanagement, fraud, and abuse;
- To assess if the subrecipient has the capacity to continue to carry out the approved projects as well as other grants for which it may apply;
- To assist subrecipients in resolving compliance problems through discussion, negotiation, and the provision of technical assistance and training;
- To focus our technical assistance/training efforts by identifying problem areas;
- To provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected by subrecipients and not repeated;
- To ensure that required records are maintained to demonstrate compliance with applicable regulations.

MONITORING STRATEGY

Subrecipient oversight has several components. The strategy and procedures for each are described below.

- I. Technical Assistance during Start-up and Implementation
- II. In-House Monitoring
- III. On-Site Monitoring Visits

I. Technical Assistance during Start-up and Implementation

A. Initial contact (prior to subrecipient agreement execution)

1. Negotiate scope of service. Agency staff develops work scope (description of service) for subrecipient agreement based on application and in consultation with subrecipient. Work scope should be clear and specific, indicate the eligible activity and national objective being met, and budget, timeline for completing the work, reporting requirements and on-site monitoring.
2. Review pertinent Federal requirements and agreement. Because contracts are lengthy documents, agency staff will review critical requirements with each subrecipient. These may include requirements for procuring services, reporting, recordkeeping, income screening, conflict of interest. (At this time, staff may also request insurance certifications, vendor information, etc., if this has not already been done.)
3. Financial system review. For new recipients (and on an intermittent basis for ongoing recipients), Agency financial staff will conduct an on-site visit to ascertain that the subrecipient's financial management system is adequate and appropriate to administer federal funds (e.g., in compliance with OMB circulars and 2 CFR Part 200). Technical assistance will be provided as necessary to ensure that financial and accounting systems are set up properly.
4. Provide resource materials. Depending on the nature of the activity, Agency staff will provide written materials to subrecipients. This may include Code of Federal Regulations (CFRs), OMB circulars, CPD notices, and guidebooks such as the HUD Guidebook to Eligible Activities.
5. Technical Assistance Visit. To the extent practicable, Agency staff will schedule a visit early in the year to detect and resolve problems while they are small. This visit can also be used to make the subrecipient aware of the monitoring visit at the end of the program. This may help to reduce the anxiety and defensiveness of subrecipients in connection with the monitoring.

B. Activity Implementation

1. Open Communication. Agency staff will be available and welcome open communication. Agency staff will endeavor to build trust with subrecipients so that when problems arise they can be discussed.
2. Ongoing Guidance. Staff will keep subrecipients informed on CPD regulations, issues, new guidance from HUD, training opportunities, etc.

II. In-House Monitoring

If Agency staff has determined from previous monitoring on-site visits that the subrecipient is low-risk and the subrecipient is meeting its responsibilities as described in executed scope of work (e.g., invoicing, reporting, single audits), an in-house monitoring (“desk review”) will be conducted in lieu of an on-site visit. In-house monitoring can be done for three consecutive years following an on-site monitoring visit. Agency staff will conduct an on-site monitoring visit at any time if questions and/or concerns develop with the subrecipient’s performance.

- A. Review of Payment Requests. Agency staff will review payment requests and expenditures to ensure compliance with the contract. Agency staff may request additional financial information to verify that the information contained in their drawdown report is accurate.
- B. Agency staff will review current single audit and complete Audit Checklist. Agency staff may conduct on-site monitoring visit if auditor’s findings and observations are substantial.
- C. Quarterly/Annual Reports. Subrecipients are required to submit quarterly or annual reports outlining their progress, beneficiaries served, and problems. Agency staff will contact recipients when there are questions or concerns.
- D. Network in Community. Agency staff will network with community members to ascertain whether subrecipients are meeting community needs, working with others to avoid duplication, and offering the best service.

III. On-Site Monitoring Visits

- A. Calendar. After adoption of the one-year action plans, Agency staff will establish a master calendar of monitoring visits for nonprofit subrecipients. Agency staff will endeavor to visit each recipient at every two years, but no less than every three years.
- B. Level of Review. Agency staff will evaluate the level of risk in the contractor’s ability or willingness to comply with federal requirements. Depending on the level of risk and the areas of concern, Agency staff will tailor the monitoring

review. For example, a subrecipient that has recurring problems in calculating income eligibility may be reviewed in that specific area. The risk analysis evaluation will consider such things as:

- Complexity/risk of activity (e.g., economic development)
- Lack of experience of subrecipient or turnover in staff
- Difficulty in carrying out activity/lack of progress
- Date of last monitoring
- Past monitoring outcomes
- Ability to resolve previous monitoring findings, concerns, and Recommendations
- Timeliness and adequacy of reports
- Experience with contractor gained from personal contacts, telephone conversations, correspondence
- Responsiveness to Agency Staff

C. Tracking System. A record keeping system will track monitoring visits, correspondence with those monitored, the need to follow-up and the resolution of findings or concerns. One objective in designing this system is its usefulness in evaluating performance for funding decisions in subsequent One-Year Action Plans.

D. Procedures for Conducting On-site visits.

1. Pre-visit preparation. Agency staff will review all information on the subrecipient that is available in the project file. Pertinent information includes:

- Subrecipient application(if applicable) and One-Year Action Plan
- Subrecipient agreement
- Quarterly or annual reports
- Payment requests
- Documentation of previous monitoring visits
- Copies of audits
- Correspondence and notes

Agency staff should plan a strategy for conducting the visit and reviewing the on-files. This could include determining specific issues to monitor, preparing questions, and identifying individuals with whom to meet.

2. Notification to Contractor. Agency staff will send a letter requesting a monitoring appointment at least two weeks prior to conducting the visit. The letter will give the dates of the visit, the names of Agency staff, and will

request the documents/records/information that should be available when Agency staff visits.

Agency staff will follow up with a phone call confirming the date and time of the visit.

3. Conducting the Visit. When conducting a monitoring visit, Agency staff will follow these steps:
 - a. Initial Meeting. An initial meeting will be held with the subrecipient to discuss such topics as the monitoring procedures that will be followed, the status of unresolved problems, and questions or concerns that may have arisen from the monitor's review of relevant documents. Time will be allowed for the subrecipient to discuss their own assessment of their program, and their plans for its future development. This is also an opportunity to receive feedback on the Agency's technical assistance and where it can be improved.
 - b. New Material. Agency staff will review any material that the contractor has prepared in anticipation of the visit.
 - c. Files. Agency staff will review pertinent files to verify compliance with federal requirements and the information that has been provided to the Agency in reports. Monitoring checklists will be used to assist in this part of the monitoring. Pertinent files can include the following:
 - Documentation of nonprofit status
 - Time and attendance records
 - Personnel records
 - Financial records
 - Client case files
 - Private vehicle travel records
 - Telephone bills
 - Inventory of equipment and files purchased or leased with CDBG funds
 - Procurement, Employee and Conflict of Interest Policies
 - Federal requirements related to fair housing, labor compliance, Equal Employment Opportunities (EEO), Equal Access and Labor laws, etc.
 - d. Staff. Agency staff will interview members of the subrecipient's staff, and, as appropriate, subcontractor staff to discuss issues and procedures.
 - e. Site Visit. Agency staff will tour other sites or assisted projects, if applicable.

- f. Documentation. Agency staff will keep a clear written record of the steps followed and information reviewed during the visit. The monitoring checklists are the primary way that notes will be kept during the monitoring.
- g. Exit Meeting. Agency staff will have an exit conference or other form of consultation with the appropriate subrecipient staff to present preliminary conclusions resulting from the visit to confirm the accuracy of the conclusions. The subrecipient will have an opportunity to correct any misconceptions or misunderstandings and provide additional information. They may also report on steps they have already taken to correct the matter.

E. Follow Up to Visit

1. Monitoring Letters. Upon completing monitoring, a complete written report will be prepared and sent to the subrecipient with a copy to the Board of Directors.
 - a. Draft letter. If the review has been extensive and there are findings of a serious nature, Agency staff will provide the subrecipient with a draft monitoring letter for verification of its information.
 - b. Content. The monitoring letter will describe:
 - Areas monitored
 - Monitoring conclusions, both positive and negative
 - Specific steps the subrecipient can take to resolve each finding and concern
 - Due date of corrective action for each finding
 - Opportunity to contest any finding
 - Offer of technical assistance or an indication that technical assistance was provided on-site
2. Basis for Monitoring Findings, Concerns, or Recommendations.
 - a. No monitoring findings, monitoring concerns, or monitoring recommendations. If no monitoring findings, concerns, or recommendations are found, monitoring staff will send a letter, within 30 days of the monitoring, to the subrecipient noting compliance in the areas monitored with its Agreement.
 - b. Monitoring findings. A monitoring finding is a program element that does not comply with Federal statute or regulation, or severe situations involving the alleged misuse of funds, alleged political activity, alleged

fraud, etc. The monitoring letter will indicate the *corrective actions* the subrecipient must take.

The subrecipient will be given 30 days to provide a response indicating the corrective action it has taken to correct the monitoring finding. Agency staff will follow up to verify that the monitoring finding has been corrected.

- c. Monitoring concerns. A monitoring concern represents either a potential finding or a program deficiency that should be improved before it leads to a finding. The monitoring letter will include *specific recommendations* for improvement.

The subrecipient will be given 30 days to respond indicating corrective action it has taken to correct the monitoring concern. As appropriate, Agency staff will follow up to verify that the action has been taken to resolve the concern.

- d. Monitoring recommendations. Monitoring recommendations are suggestions to improve program operations or program effectiveness. No specific follow up is necessary for recommendations.

3. Follow-up Action. When a subrecipient fails to meet a target date for corrective or requested actions, Agency staff will initiate contact. A letter will be sent requesting the status of the corrective or suggested action and warning the subrecipient of the possible consequences of failure to comply.

Depending on the severity of the finding or concern, possible actions include:

- Suspension of draws until the findings are resolved to the satisfaction of the Agency;
- Ineligibility for future funding;
- Lack of competitiveness for future funding.

If the subrecipient is making a good faith effort to resolve the finding, the Agency may establish a new due date.

4. Closing Monitoring Findings. When the Agency staff finds the subrecipient has provided satisfactory corrective action, a letter shall be sent to them stating the finding is resolved.

F. Recordkeeping.

1. Overall Monitoring File. As part of the records maintained by funding year, there will be a file for general monitoring information. Documentation in this file will include:

- Monitoring Plan

- Monitoring Checklists
- Risk Analysis, if any
- Monitoring Tracking Sheet

2. Project Monitoring Files. Subrecipient project files will be maintained for each activity. These files will contain the monitoring history for the activity, including the following:

- Monitoring letters
- Checklists/Notes from monitoring visit
- Subrecipient's response to monitoring findings
- Agency's response/clearance of findings