



# **Subrecipient Roles, Responsibilities and Requirements**

DECEMBER 8<sup>TH</sup> & 9<sup>TH</sup>, 2021

**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 answer immediately and pause to take questions at specified times).
- 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 (Resource page located at the end of the webinar).*



# Training Agenda: Wednesday, December 8

- Introduction
- Goals and Objectives
- Day One
  - Part I: General Subrecipient Roles and Responsibilities
    - Grantee and Subrecipient definitions
    - HCD and Subrecipient roles and responsibilities
    - Areas of coordination
  - Part II: Review of Master Standard Agreement Requirements
    - Key Considerations
    - Administrative and Program Performance



# Introduction

## HCD

- Wendy Nelson
- Samina Akhtar
- Michelle Chand
- Marcia Flores

## Civix

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



# Goals and Objectives

After this training, subrecipients should gain a better understanding of:

- Criteria which delineates a subrecipient from a HUD grantee or contractor.
- The HCD workflow for subrecipient oversight and management.
- General roles and responsibilities of HCD program and monitoring staff, as it relates to subrecipient expectations of its role within HCD CDBG-DR and MIT programs.
- Specific program implementation areas in which HCD and subrecipient staff will need to coordinate to ensure compliance.
- Best practices on “how to” document, report, and comply with both program-specific and general regulatory requirements associated with the Master Standard Agreement (MSA) or Standard Agreement (SA).
  - **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.



# **Part I: General Subrecipient Roles and Responsibilities**



# Who is a Grantee?

## 2 CFR 200.86 Recipient:

- “A non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program.”
- This term does not include subrecipients.

**The State of California Department of Housing and Community Development (HCD) is the grant recipient (“grantee”) under HUD's Recovery and Resilience Programs.**

**Primary Responsibility:** (1) Administering the federal grant directly or (2) serving as a pass-through entity to a subrecipient(s).



# Who is a Subrecipient?

## **2 CFR 200.93 and 200.300:**

- “A non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program.”
- May also be a recipient of other Federal awards directly from a Federal awarding agency.

***Subrecipients receive grant allocations or awards from HCD to carry out CDBG-DR and MIT program activities specific to their jurisdiction.***

- ***As a result, responsibilities for meeting federal requirements are passed down to subrecipients.***



# Who is NOT a Subrecipient?

## **Contractors**

- Competitively procured and provides a specific scope of services to contribute to a program or project activity.

## **Developers**

- Awarded funds for an affordable housing development.
- Can be either a for-profit or non-profit entity.
- Typically organized and/or formed for single purpose or undertaking (e.g., rental or homebuyer project).
- Do not need to be competitively procured – can be selected by a grantee or subrecipient.

## **Beneficiaries**

- Privately- or publicly-held for-profit entities or individuals receiving funds under a program.
- This can include businesses (e.g., business loan program) or individuals (e.g., applicants under a homeowner disaster assistance program).

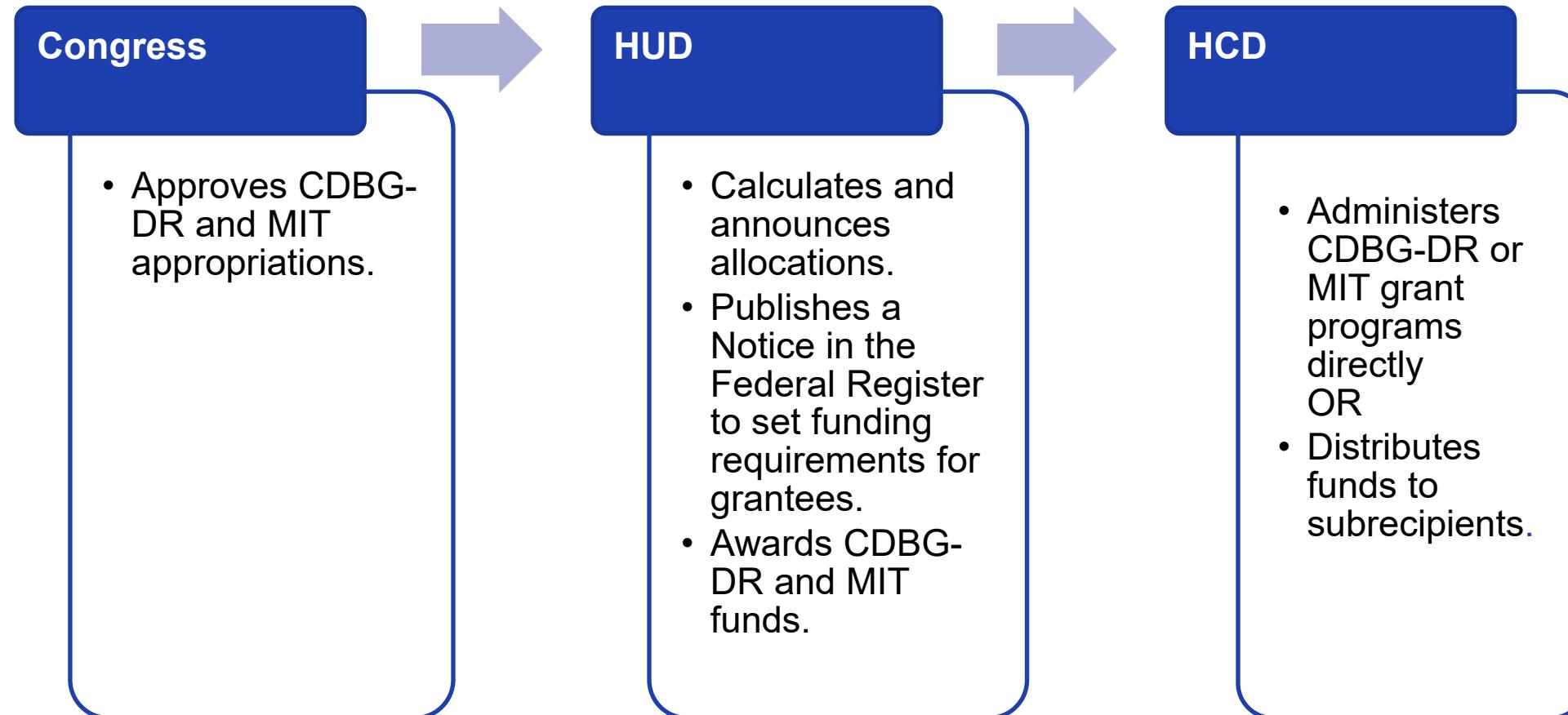


# Definition Spotlight: Comparison of Subrecipients and Contractors

	<b>Subrecipient</b>	<b>Contractor</b>
<b>Selection</b>	<ul style="list-style-type: none"><li>Designated by the grantee via a selection process.</li><li>Can determine, select, and provide projects for awarding.</li></ul>	<ul style="list-style-type: none"><li>Procured (e.g., 2 CFR 200 - federal procurement standards).</li><li>Can only perform scope of services as identified by subrecipient.</li></ul>
<b>Federal requirement applicability</b>	<ul style="list-style-type: none"><li>Subject to all applicable administrative, financial, and cross-cutting Federal rules and requirements.</li><li>Must ensure contractor or other selected entities adhere to requirements.</li><li>Can only charge actual costs to deliver activity on a reimbursement basis.</li></ul>	<ul style="list-style-type: none"><li>Subject to requirements <i>only</i> for the specified scope of work.</li><li>Costs include profit.</li></ul>
<b>Monitoring and performance</b>	<ul style="list-style-type: none"><li>Must adhere to written agreement outlining responsibilities.</li><li>Recipient monitors all aspects of program, including contractor performance.</li></ul>	<ul style="list-style-type: none"><li>Must deliver services identified in the contract.</li><li>Must also monitor subcontractor performance and compliance.</li></ul>



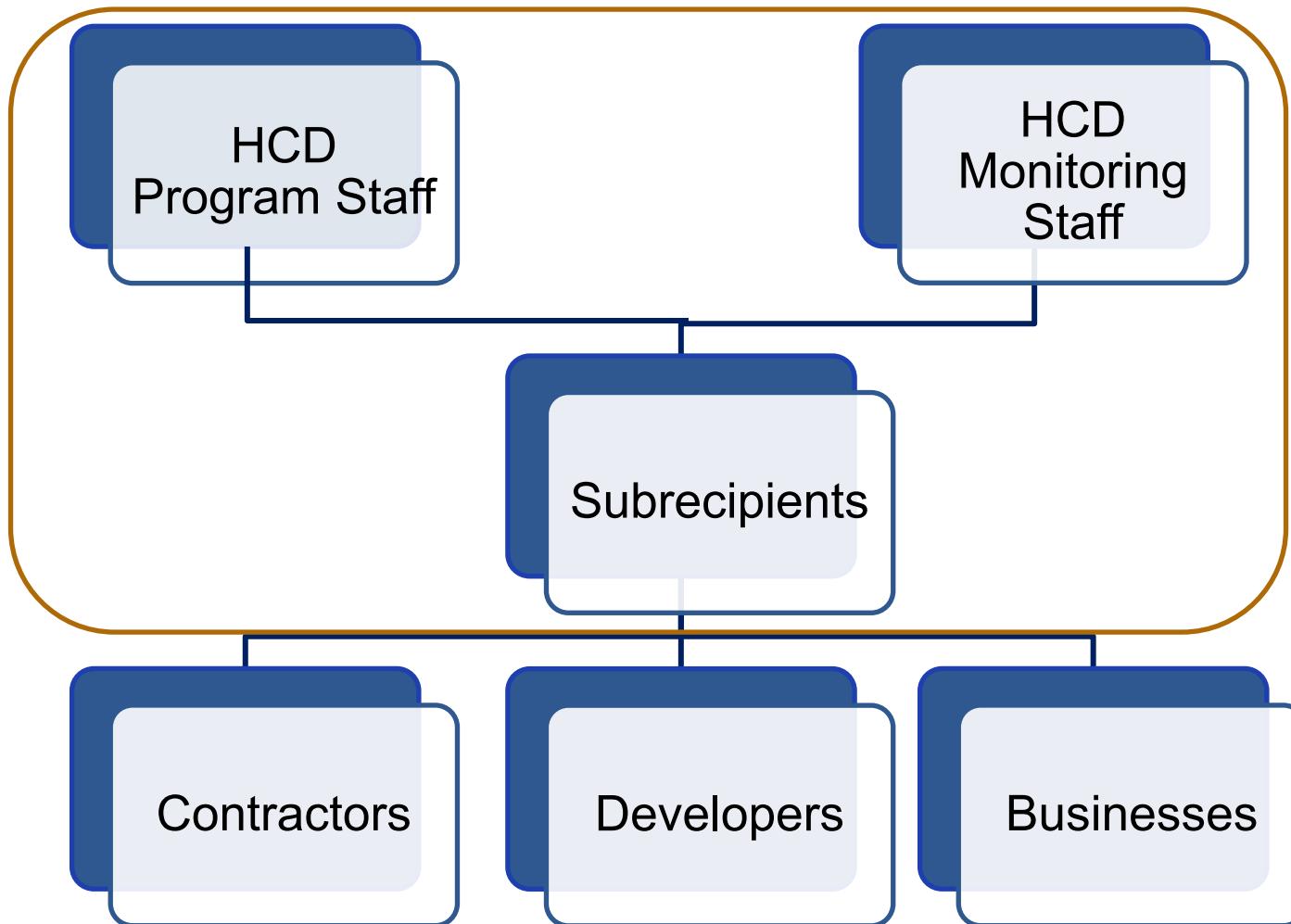
# Federal Award to Grantee Workflow





# HCD Subrecipient Programs Workflow

**Part I:** relationship and responsibilities between HCD staff and subrecipients.



**Part II:** subrecipient responsibilities and requirements as set forth in the HCD agreement.



# HCD Program and Monitoring Staff Roles

## ***HCD Program staff***

- Establish and maintain policies and procedures as it applies to the performance of the program and subrecipients therein.
- Ensure all required subrecipient reports, payment requests, and program documents are accurate, in the proper system of record, and available for review.
- Provide on-call technical assistance to subrecipients on project scenarios.

## ***HCD Monitoring staff***

- Monitor program performance of subrecipients as it applies to grant and regulatory requirements.
- Ensure all subrecipients have managed their program in compliance with the grant and their agreement.
- Provide technical assistance to subrecipients on compliance as it relates to specific monitoring reviews or general trends across multiple subrecipients.



# HCD Program Staff Key Responsibilities

- **Primary Responsibility** – subrecipient program management and oversight duties, which includes assisting subrecipients by:
  - Providing individual technical assistance and trainings on programmatic areas
  - Maintaining program procedures and program guidelines
  - Maintaining procurement and contract processes
  - Establishing documentation and recordkeeping processes
  - Maintaining program budget and financial records
  - Providing HUD/HCD-required performance/reporting guidance



# HCD Program Staff: Subrecipient Oversight

- In order to ensure subrecipients maintain capacity to carry out activities, HCD has oversight mechanisms in place to track progress and monitor performance.
  - Monthly and quarterly reporting
  - Requests for reimbursement
- HCD program staff consider how to capture oversight responsibilities.
  - Components to be reviewed and monitored (administrative, financial, programmatic, technical), including project application review and approval
  - How issues such as nonperformance and non-adherence to MSA/SA requirements are resolved in a timely manner
- Communication is key
  - Weekly 1:1 meetings and project status calls
- Document, document, document
  - Grant management system – Grants Network
  - Establish and maintain file structure and program records management system



# HCD Monitoring Staff Key Responsibilities

**Primary Responsibility** – determining a subrecipient's project and program compliance, which entails:

- Acting independently of HCD program staff when conducting monitoring reviews
- Assessing projects for risk areas
- Maintaining a Monitoring Plan which includes:
  - Managing a schedule of off-site reviews and monitoring visits for subrecipient projects - Reviews/visits are for short periods of time and occur at least annually.
  - Identifying deficiencies in implementation, capacity, management, etc.
  - Reviewing programs and projects for reporting, record-keeping, and compliance documentation
- Ensuring program and subrecipient compliance through notating and correcting deficiencies



# HCD Monitoring Staff Supporting Responsibilities and Considerations

## *Monitoring and Compliance*

HCD monitoring staff will connect with subrecipients during pre-monitoring phases and will complete several **supporting duties**:



### Create checklists

Assists to document whether required documents are present and are organized



### Review agreements

Understand schedule, budget, and objectives



### Check record systems

Hard copy files or computer system



### Monitoring approach

Based upon risk – conduct either an on-site or desk review

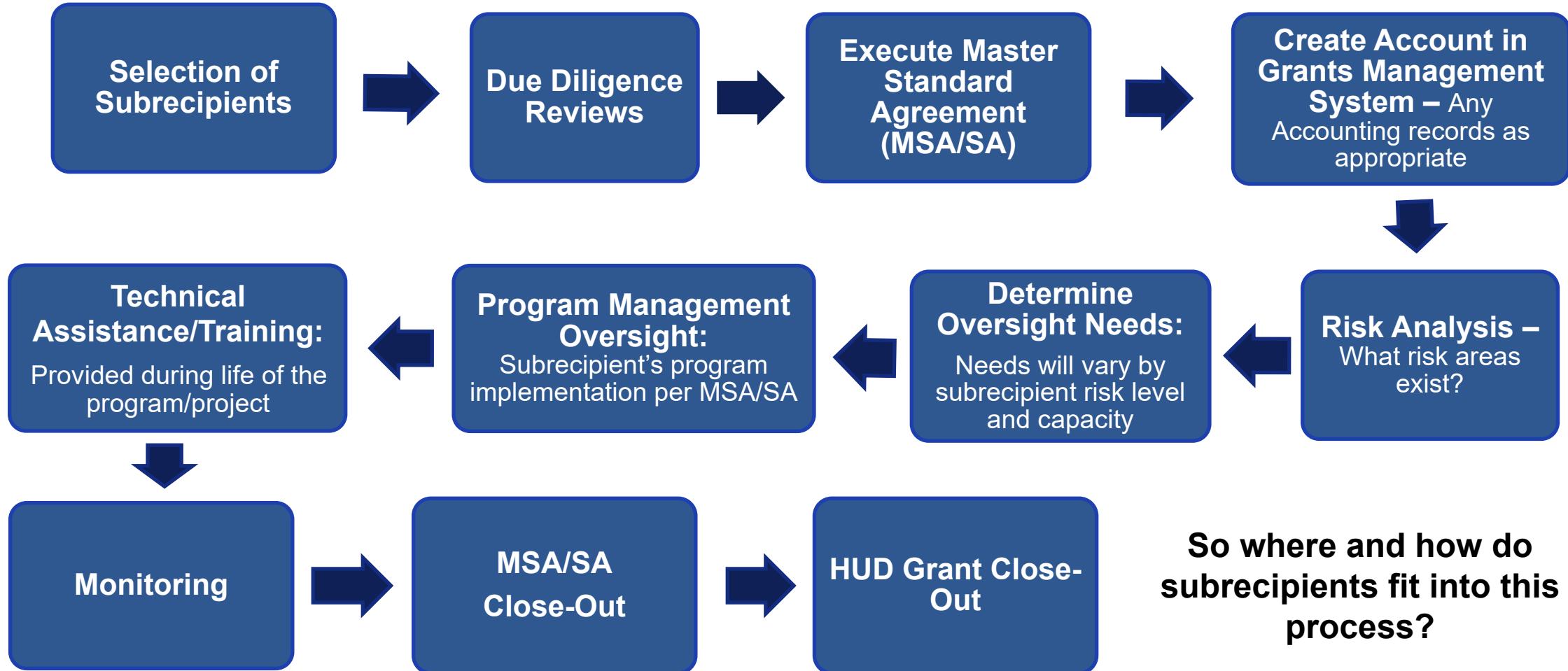


### Prepare in advance

Identify relevant HUD Monitoring Exhibits based upon what will be reviewed



# Overview of the Subrecipient Management Process





# Subrecipient Roles and Responsibilities

***While HCD is ultimately responsible to HUD for subrecipient compliance and performance, those same requirements are passed down to subrecipients through the MSA/SA.***

*Subrecipients are expected to:*

- Meet HCD's specific selection criteria.
- Carry out specified program(s) on behalf of HCD.
- Comply with all Federal statutes, regulations, and program requirements.
- Comply with all terms and conditions of the subrecipient agreement.
- Meet all established performance goals.

*The expectations above will be discussed in more detail under Part II.*



# What does a Subrecipient Manage?

To meet expectations, a subrecipient must assist HCD in carrying out specified program(s) through its staff, contractors, and vendors, overseeing both performance and compliance.

A subrecipient is charged with **managing contractors and vendors to ensure contract compliance**.

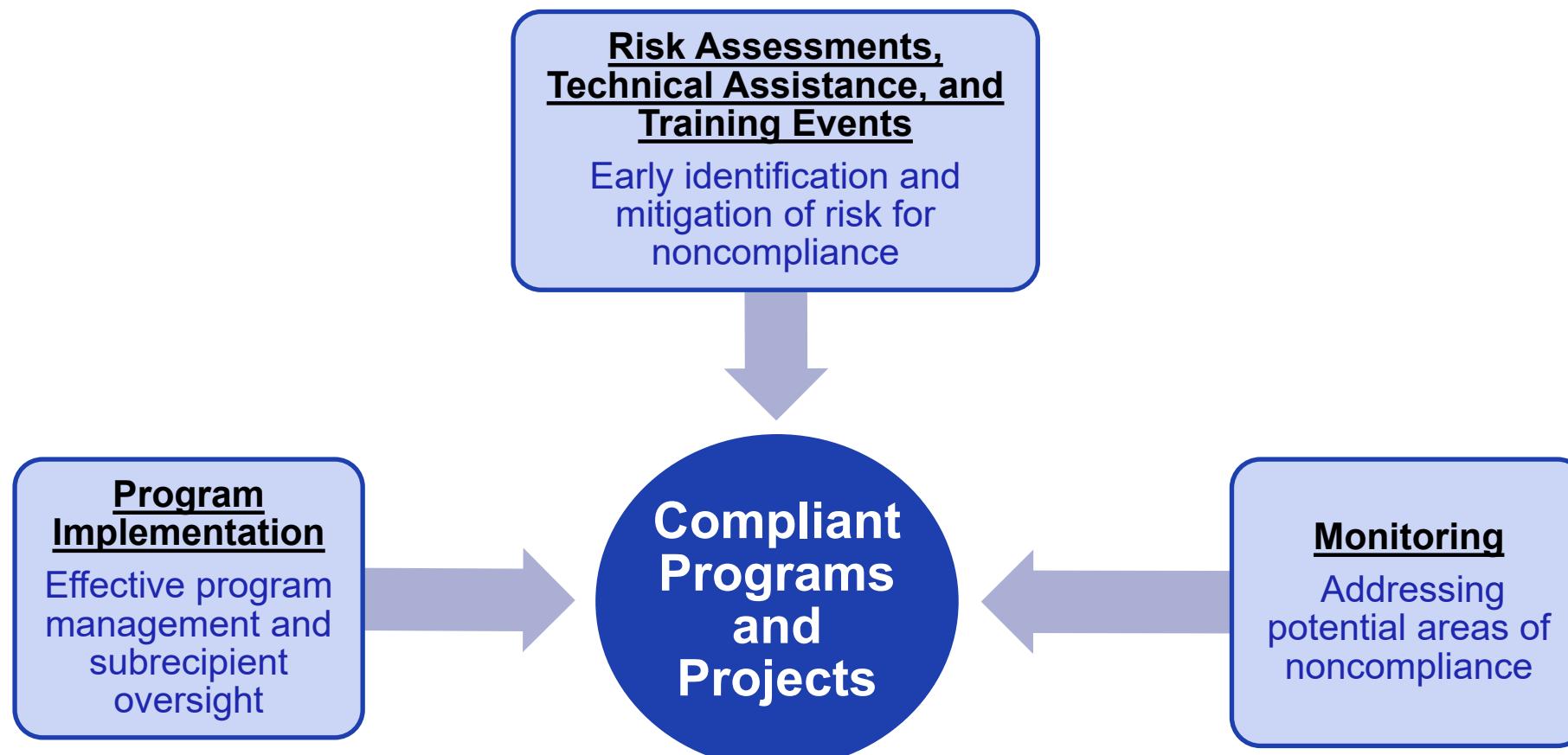
What kind of compliance is contract compliance?

- **Performance** = Meeting set milestones/performance metrics, as stated in applicable contracts (and possibly issuing performance penalties if not met).
- **Compliance with applicable federal requirements** = Examples: Davis Bacon and Related Acts, Section 3, MBE/WBE, among others
- **Invoices** = Only charging for services within the contracted scope of work and billing for those services in accordance with the contract terms (e.g., fee schedule).
- **Contract Timeframe** = Ensure contractor/vendor will complete contracted services within the agreed upon timeframe – unless amended – to ensure project is completed on time.



# Areas of Coordination

***Compliance is a shared goal and responsibility***





# Coordination on Risk Areas

- **Primary goal:** Ensure compliance
- **Secondary goal:** Avoidance of severe deficiencies
  - Continued risk analysis, technical assistance, and training allows HCD and subrecipients to:
    - Identify problems when they are manageable
    - Address issues through multiple course correction options

**Collaborative work in these areas is vital to support not only subrecipient compliance but the continued effectiveness of subrecipient program and project performance.**



# Primary Areas of Coordination

Area of Coordination	Main Considerations
Recordkeeping, File Management, and Document Collection	<ul style="list-style-type: none"><li>Set-up &amp; maintain records to show compliance ("telling the story").</li><li><b><u>Subrecipient Staff:</u></b> Provide documents via Grants Network.</li><li><b><u>HCD Program Staff:</u></b> Ensure subrecipient submits all required documents in the system of record.</li><li><b><u>HCD Monitoring Staff:</u></b> Review subrecipient program and project records to ensure compliance.</li><li>HCD conducts several reviews, including taking part in external reviews, so staff may request documents outside of normal processes. This could result in duplicative requests at times.</li><li>Review of naming conventions and consistent placement of relevant files within applicable folders will be critical.</li></ul>
Due Diligence Reviews and Risk Assessments	<ul style="list-style-type: none"><li><b><u>HCD Program Staff:</u></b> Conducts due diligence reviews and collects documentation for that review.</li><li><b><u>HCD Monitoring Staff:</u></b> Use of program and subrecipient files AND engagement with Program staff for completing risk assessments.</li></ul>



# Primary Areas of Coordination (cont'd)

Area of Coordination	Main Considerations
Subrecipient Program and Project Reporting	<ul style="list-style-type: none"><li>• Ongoing information gathering across grants, with each function providing a unique part of the larger grant narrative:</li><li>• <b><u>Subrecipient Staff</u></b>: Provide reporting to HCD on program's or project's performance, expenditures, activity beneficiaries, etc. Provides insights about subrecipient successes, needs, and deficits to Program and Monitoring staff with enough frequency to catch problems early.</li><li>• <b><u>HCD Program Staff</u></b>: Reports inform staff of progress, potential challenges, and needed adjustments for potential TA or oversight actions.</li><li>• <b><u>HCD Monitoring Staff</u></b>: Reports inform staff to see activity over time and verify capacity, management, and implementation risk for potential monitoring activities.</li><li>• <b><u>Example</u></b>: HCD Monitoring staff may review DBRA document or report submissions from subrecipients and provide technical assistance with program staff to achieve compliance.</li></ul>



# Primary Areas of Coordination (cont'd)

Area of Coordination	Main Considerations
Subrecipient Technical Assistance and Training	<ul style="list-style-type: none"><li>• Needs can be identified by subrecipients or HCD program and monitoring staff throughout the life of the grant.</li><li>• <b><u>Subrecipient Staff:</u></b> Responsible for understanding the Agreement with HCD on a level to know when to request (1) HCD reviews or approvals of certain project actions or milestones OR (2) technical assistance or guidance to gain a better understanding of compliance with certain requirements.</li><li>• <b><u>HCD Program and Monitoring Staff:</u></b> Play shared role:<ul style="list-style-type: none"><li>• Program staff: focus on individual TA and guidance to subrecipients.</li><li>• Monitoring staff: focus on larger, more formal trainings and TA with multiple subrecipients at one time</li></ul></li><li>• HCD staff will still coordinate frequently to ensure proper guidance is provided to subrecipients on subject matter in the form and level of expertise needed.</li></ul>



# Additional Opportunities for Coordination

**These primary areas attempt to highlight joint efforts to address risk and deficiencies prior to incurring more consequential, severe findings and sanctions, but there are also other opportunities for coordination:**

- **Risk mitigation:** Joint discussions with subrecipients on best methods to address their highest risk area(s).
- **Document collection:** Shared or coordinated access to document repositories to facilitate understanding of available information and determination of needed data.
- **Monitoring notifications:** Quarterly review and consultation between HCD staff of upcoming monitoring schedule to notify subrecipient in advance of monitoring.
- **Monitoring review transparency:** Collaborating on and providing monitoring review checklists for program, project, and subrecipient files prior to monitoring.



## What are the Effects of Non-Coordination?

- HCD is responsible to HUD for subrecipient compliance and performance, including addressing the areas noted above throughout the life of the grant.
  - All efforts outlined above are continual and occur on either a periodic, as-needed, or as-requested schedule.
- Without coordination, severe findings or deficiencies could surface, which indicate little action taken to remedy noncompliance. In these instances:
  - A subrecipient's project could face substantial implementation delays AND
  - Further findings from HUD could impact project eligibility.



# Part I Takeaways

**Because compliance is a shared goal and responsibility between HCD and its subrecipients, defining and understanding roles and responsibilities must constantly require communication and coordination.**

- **HCD makes every effort to ensure internal processes “speak to one another.”** HCD assesses its procedures to identify common efforts in ensuring compliance where similar information is requested of subrecipients.
- **Nonetheless, communication and coordination may seem duplicative in some instances.** This is to ensure capacity gaps or high-risk areas are addressed.
- **When you feel communication and coordination becoming redundant or vague as it relates to clear roles and responsibilities, reach out to HCD staff.** Receiving subrecipient feedback on these processes assists HCD with further streamlining or refining.
- **As subrecipients, having perspective on “your role in the larger implementation process” is key to understanding HCD requests.** Subrecipient roles and responsibilities are defined through these processes, including documents (e.g., MSA), which leads us to Part II.



# Questions?



## **Part II: Review of Master Standard Agreement Requirements**



## Part II Key Considerations

- This training is not a substitute for the work subrecipients must do to fully understand and meet contractual and regulatory requirements.
  - Part II will touch on the most impactful contractual obligations and requirements in relation to a subrecipient's Master Standard Agreement (MSA).
- Go to the original source materials. A list will be provided.
- As Part II progresses, consider the following:
  1. Who will do what?
  2. In what order, when, and for how long?
  3. With what support and resources? (i.e., financial (budget), substantive (training), informational (access to information), personnel ("many hands make light work"), and otherwise)



## Part II Key Considerations (cont'd)

- HCD program and monitoring staff are here to help with formal follow-up trainings and less-formal office hours, FAQs, and Q&A sessions.
  - Program staff: primary point of contact for day-to-day follow-up.
  - Monitoring staff: (1) will provide additional support to program staff to address subrecipients' challenges when necessary and (2) provide targeted TA or training as a result of monitoring or assessed risk.
- Each requirement may have similar results or outcomes to ensuring adherence with the MSA.
  - Ex: While untimely report submission may have the same impact across the board, HCD presents reporting under each requirement to outline what information is needed from subrecipients to ensure complete reporting.



# Administration and Program Performance Process

**Subrecipient demonstrates its capacity to manage a program**

**Ensure system can track all program and administrative performance reports as required by HCD**

**Regularly check contractor performance to ensure project(s) or program(s) is on track to meet performance requirements**

**Contact HCD if performance targets are not going to be met**



# Administration and Program Performance

**Subrecipient Roles and Responsibilities:** Subrecipients are expected to:

- **Determine and document** what program records and/or key performance indicators (*KPIs may include progress reports, drawdown reports, completion reports, Gantt charts, etc.*) are pertinent to illustrating a clear picture of administration and program performance.
- **Provide continual updates and reporting** on all CDBG-DR and CDBG-MIT funded projects.
- **Notify HCD** of any hindrances/obstructions to program performance, as well as positive progression of projects including completed milestones etc.



# Administration and Program Performance (cont'd)

**MSA Requirements:** While DR/MIT programs may have specific language, subrecipients should generally review the following sections:

Location/Section	Language Summary
Exhibit D – Inspections of Grant Activity	<ul style="list-style-type: none"><li>The Department and HUD reserves the right to inspect any grant activity(ies) performed hereunder to verify that the grant activity(ies) is being and/or has been performed in accordance with the applicable federal, state and/or local requirements and this Agreement.</li><li>The Subrecipient shall inspect any grant activity performed by contractors and subrecipients hereunder to ensure that the grant activity(ies) is being and has been performed in accordance with the applicable federal, state and/or local requirements and this Agreement.</li><li>The Subrecipient agrees to require that all grant activity(ies) found by such inspections not to conform to the applicable requirements be corrected, and to withhold payment to its contractor or subcontractor, respectively, until it is so corrected.</li></ul>
Exhibit A – Terms of Agreement and Performance Milestones	<ul style="list-style-type: none"><li>Subrecipient is required to report to HCD the status of project progress including deadlines and milestones.</li></ul>
Exhibit A – Scope of Work Revisions and Amendments	<ul style="list-style-type: none"><li>HCD must be advised of all contract revisions and adjustments to the scope of work for all funded projects.</li></ul>



# Administrative and Program Performance (cont'd)

**Reporting Requirements:** The Subrecipient must, at a minimum, provide HCD with an annual Performance Report, with all additional required submissions contributing to the tracking for Administrative and Program Performance Reporting. HCD reserves the right to set the frequency of these submissions.

**Recordkeeping:** Subrecipients must maintain sufficient records to demonstrate Administrative and Program Performance on a regular basis including any documentation that explains decision-making during the administration of the project. Documents may include:

- Construction Reports showing percentage of completion
- Program/Project timeline and milestones
- Internal or External Communication on decisions made during the project life
- Annual Performance Report
- Expenditure Reports that show accurate funding levels of the program and live projects



# Administrative and Program Performance (cont'd)

## Best Practices and Considerations:

- **Conduct regular examinations of program and project performance.**
  - If deficiencies are identified, document how those deficiencies will be addressed and current processes improved.
- **Periodically evaluate documentation** for accuracy and completion.
- **Establish ongoing meetings for the life of the project** to discuss project status, any obstacles encountered and potential resolutions (internal, cross-departmental, or contractor).



# End of Day One

# Final Questions?



# MSA/SA Requirement Look-Ahead (Day 2)

*As outlined under Administrative and Program Performance, we'll be looking at how subrecipients approach responsibilities under the MSA/SA in the following manner:*

- **What are my primary responsibilities under specific requirements as outlined in the MSA/SA?**
  - Where should I look within the MSA/SA regarding my responsibilities on a particular federal or contractual requirement?
- **What information do I need and what records should I keep in order to report my program's/project's progress on meeting these requirements?**
- **When is it necessary to notify HCD of potential challenges or questions as it relates to meeting these requirements?**
- **What are action items I can take now in preparing to meet these requirements?**



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# Training Agenda: Thursday, December 9

- Day Two
  - Day One Recap
  - Part II: Review of Master Standard Agreement Requirements (continued)
    - **National Objective**
    - **Environmental**
    - **Financial Management**
    - **Procurement**
    - **Section 3**
    - **Davis-Bacon**



# Introduction of Presenters

- Randall Mullen
- Angie Traill
- Jared Lee
- Patty Weisner
- Philip Betito



# Day One Recap

## **Part I: General Subrecipient Roles and Responsibilities**

- **Compliance is (1) a shared responsibility between the subrecipient and HCD and (2) takes on multiple formats and different levels of coordination throughout implementation.**
  - Provide feedback if communication or coordination becomes redundant or vague.
  - Understanding HCD requests as “subrecipient’s role in larger implementation process.”

## **Part II: Review of MSA/SA Requirements**

- **When understanding subrecipient role in meeting requirements under the MSA/SA, work through two primary considerations:**
  - How will you structure subrecipient staff and resources to address compliance with these requirements?
  - What are the most pertinent pieces of information to extract from MSA/SA requirements and what do you do with this information?



# National Objective Process

Determine projects that meet HCD's approved National Objectives under each program

Submit projects for HCD's approval

Subrecipient manages the project in a manner that meets the National Objective

Monitor for ongoing National Objective compliance prior to close-out

After project completion, ensure that the project continues under the same use and serves the same beneficiary population



# National Objective

**Subrecipient Roles and Responsibilities:** Subrecipients are expected to:

- **Determine and document** how projects can meet the National Objective as outlined in the Agreement.
- **Notify HCD** if program changes impact the approved National Objective.
- **Provide continual updates and reporting** on a project's progress as it relates to beneficiaries served, jobs created, etc., to ensure the project is on track to meet the National Objective by grant deadlines.



# National Objective (cont'd)

**MSA Requirements:** While DR/MIT programs may have specific language, subrecipients should generally review the following sections:

Location/Section	Language Summary
Exhibit A – Scope of Work Exhibit D – National Objectives	<ul style="list-style-type: none"><li>• <u>Meeting National Objective(s) as defined in program policies/procedures.</u></li><li>• <u>Mentions eligible National Objective(s) an activity/program can meet.</u></li><li>• Refers to other MSA/SA Exhibits and regulatory citations (24 CFR 570.208).</li><li>• <u>Exhibit D sets specific documentation/reviews</u> certain National Objectives will need.</li></ul>
Exhibit A – Terms of Agreement (SOW/NTP Revisions)	<ul style="list-style-type: none"><li>• <u>Formal Agreement SOW revision: Changes in a project's National Objective.</u></li><li>• <u>NTP Revision:</u> No national objective change (other minor scope changes).</li></ul>
Exhibit B – Eligible Costs, Method of Payment, and Recapture of Funds Exhibit D – Terms and Remedies for Noncompliance	<ul style="list-style-type: none"><li>• <u>Failing to meet a National Objective results in a recapture of funds</u> (ineligible costs and recapture of improper payments).</li><li>• Provides regulatory references on allowable costs: 2 CFR 200.400-475</li></ul>
Exhibit B – Program Budget Revisions	<ul style="list-style-type: none"><li>• A budget revision <u>cannot</u> include a change in National Objective.</li></ul>
Exhibit B – Project and Activity Closeout, Grant Closing	<ul style="list-style-type: none"><li>• Final Activity Report should include all information and reporting data on beneficiaries and National Objective (may include extended reporting period).</li></ul>



# National Objective (cont'd)

**Reporting Requirements:** Report most National Objective verifications and information in:

- **Activity Reports (monthly)**: (1) Actual overall and project beneficiaries benefitted within the timeframe, (2) status/narrative on current efforts in meeting National Objective, and (3) potential or anticipated changes in National Objective based on project scope changes.
- **Final Activity Report (at project completion)**: Final, cumulative data on area or direct benefit to affirm National Objective.
- **Financial Reports (monthly via Grants Network)**: Detailed financial information on overall program and project expenditures which provides HCD with data on subrecipient programs meeting threshold LMI percentages.



## National Objective (cont'd)

**Recordkeeping Requirements:** A subrecipient will capture most National Objective verifications and information in the following documents:

- **Project Application:** Detailed information on overall and project anticipated beneficiaries, service area income determinations (where applicable), and other support documentation.
- **Support Documents:** May include (1) service area maps, (2) LMI Summary Data (LMISD) on census tracts and block groups, (3) individual household surveys and/or household income documents and calculations for LMI direct benefit projects, (4) resolutions or other subrecipient documentation confirming exigent need for project, (5) local and other funding source commitments



# National Objective (cont'd)

**Best Practices and Considerations:** Subrecipients can consider the following when determining how to satisfy contractual and regulatory requirements:

- **Familiarize yourself with the eligible National Objectives for each program you are implementing and build those parameters into your policies and procedures.** Understanding these parameters from an initial program and project eligibility standpoint is critical.
- **Develop standard sets of documents for National Objective verifications.** Whether it's LMI Area, LMI Housing, LMI Jobs, Urgent Needs, or another National Objective, create a standard document list to outline what is needed to record compliance.
- **Ensure proper reporting mechanisms are set up with developers, vendors, etc., to easily extract beneficiary data information from their construction completion progress.** Subrecipients should also be mindful to align data reporting and requirements with schedules as stated within the HCD Agreement.



# Environmental Review Process

## Determination of Project Site and Description

*Helps determine what level of environmental review is needed*

## Complete an Environmental Review Record (ERR) to determine environmental impact and feasibility

*This may identify additional studies and assessments which are required*

## Creating and submitting FONSI and NOI/RROF to HCD for Authority to Use Grant Funds/Release of Funds

*Allows project to commence without choice-limiting actions*

## Project Commencement:

*Project activities can begin and subrecipient can incur allowable costs*



# Environmental Review

**Subrecipient Roles and Responsibilities:** Subrecipients are expected to:

- **Determine and document:** Environmental (NEPA, CEQA, all other required ER acts) clearance of chosen project site.
- **Notify HCD:** Submit Environmental Clearance documents to HCD in order to get final project approvals to proceed with project activities.
- **Communicate with HCD:** Maintain communications related to Environmental Review issues that may impact on-going environmental compliance.
  - HCD will conduct pre-monitoring activities which requires subrecipients to provide Environmental Review Record drafts for review.



# Environmental Review (Cont'd)

**MSA Requirements:** While DR/MIT programs may have specific language, subrecipients should generally review the following sections:

Location/Section	Language Summary
Exhibit D: Section 13: Environmental	<ul style="list-style-type: none"><li>• Holds subrecipients responsible for complying with clearance requirements of all federal agencies and law requirements.</li><li>• Emphasizes that an Agreement with HCD isn't a promise of funds if environmental clearance isn't achieved.</li></ul>
Exhibit D: Section 19: Construction Standards	<ul style="list-style-type: none"><li>• Holds subrecipients responsible for complying with all applicable building standards on both a Federal and State level and to maintain proper documentation to show compliance.</li></ul>



# Environmental Review (Cont'd)

- **Reporting Requirements:** Subrecipients are required to submit an environmental record that communicates the results of the environmental studies and any mitigation efforts that may be necessary.
  - Unlike other Cross-Cutting requirements, Environmental Reviews do not require a report submitted on a regular basis to an awarding agency.
- **Recordkeeping:** Subrecipient must have a detailed Environmental Record history to ensure that environmental laws and authorities have been followed and cleared.
- **Examples of Documents:**
  - Maps, plans, and specifications (site specific information)
  - HUD Environmental Review Checklist (HUD Exemptions, Categorical Exclusions, and Environmental Assessments)
  - Environmental Studies – Phase I and Phase II, Biological Surveys (as applicable)
  - Public Notices - Finding of No Significant Impact (FONSI) Notice of Intent to Request Release of Funds (NOI/RROF)
  - Authority to Use Grant Funds, as applicable



# Environmental Review: Best Practices

- **Identify an Environmental Preparer** - someone who has environmental experience and has or should attend a training at least annually.
- **Identify the Certifying Officer for the Responsible Entity (or appoint an RE signatory)** - some subrecipients may have this Officer already approved through HUD as a signatory, but others may not.
- **Contact and foster positive relationships** with HCD and CEQA representatives, including specific environmental impact organizations (e.g., State Historic Preservation Office (SHPO), tribal council consultation, etc.).
- **Gather all templates, checklists, etc.** from HUD, EPA, and CEQA.
- **Create processes** for activities related to Environmental Reviews and Approval.



# Financial Management Process

**Set-up separate accounts for CDBG-DR/MIT funds**

*If there are Program Income funds earned set-up a special account for Program Income*

**Reviews internal processes and policies and procedures for CDBG-DR/MIT compliance**

**Create financial records tracking system for tracking financial information for HCD**

**Submit draw requests to HCD in a timely manner**

**Conduct budget reconciliation on a routine basis**  
*Typically monthly*

**Submit reports to HCD per MSA required timeline**



# Financial Management

**Subrecipient Roles and Responsibilities:** Subrecipients are expected to:

- **Determine and document** which program activities are eligible for grant funding under the CDBG-DR/MIT Action Plan or applicable HCD program policies and procedures.
- **Notify HCD** when the intended, approved use of allocated program funds are delayed, accelerated, or changed.
- **Provide continual updates and reporting** on fund requests, program income, single audit, and quarterly/annually finances.



# Financial Management (cont'd)

**MSA Requirements:** While DR/MIT programs may have specific language, subrecipients should generally review the following sections:

Location/Section	Language Summary
Exhibit D – Uniform Administrative Requirements: Single Audit Compliance	<ul style="list-style-type: none"><li>Funds will not be disbursed to any Subrecipient identified by the State Controller's Office as non-compliant with the Federal Single Audit</li></ul>
Exhibit D –Uniform Administrative Requirements: Accounting Standards	<ul style="list-style-type: none"><li>Subrecipient agrees to comply with, and administer the activity in conformance with 2 CFR 200.300, and to adhere to the accounting principles and procedures required therein</li></ul>
Exhibit D – Fiscal Controls	<ul style="list-style-type: none"><li>Subrecipient shall be responsible for the internal control and monitoring of fiscal and programmatic/operational goals and procedures. Fiscal controls and fund account procedures should be established/maintained as required by federal regulations.</li></ul>
Exhibit B – Budget	<ul style="list-style-type: none"><li>Agreement is for the sum total of funds to be used in the activity including grant funds and Program Income, as applicable. Program Income receipts, if applicable, must be reported no less frequently than quarterly.</li></ul>
Exhibit B – Method of Payment	<ul style="list-style-type: none"><li>Payments will not be authorized unless it has been determined that costs incurred are in compliance with the terms of the Agreement</li></ul>



# Financial Management (cont'd)

## Reporting Requirements:

- **Financial Report - Funds Requests (reimbursement request)**: must be submitted through Grants Network monthly for payment.
  - Includes budget and expenditure of other funding sources for the project/activity.
  - A minimum of \$1,000 request with the exception of the final funds request.
  - Should be submitted with the monthly Activity Report.
  - Will be paid only after such costs are incurred for work completed.
- **Program Income Report**: Program Income funds must be included in the project budget and must be expended prior to drawing grant funds.
  - If PI is generated, report at least quarterly (some programs may require monthly).
  - *Program income remaining at the end of each quarter or at the end of the agreement, in excess of \$35,000, is remitted to HCD.*
- **Single Audit Reports**: Must be submitted annually.



# Financial Management (cont'd)

**Recordkeeping Requirements:** All financial transactions must be supported by complete and verifiable source documents. Records shall provide a clear audit trail and shall be maintained as specified in the **Reporting Requirements** and **Fiscal Controls sections of the Agreement (Exhibit D)**.

- General Ledger Statements
- Timecards and payroll reports
- Program Income reports (amount earned and amount expended), if applicable
- Invoice support documenting item quantity, unit cost, total costs and payment
- Financial reconciliation of award
- Audit reports



# Financial Management (cont'd)

**Best Practices and Considerations:** Subrecipients can consider the following when determining how to satisfy contractual and regulatory requirements:

- **Appoint staff member (not associated with the finance team/department to conduct regular reviews** on controls, documentation, and compliance with processes.
- **Conduct financial management training** for current and new staff on a regular basis.
- **Standardize – to the greatest extent feasible – forms and approval processes** to ensure all approvals or information is provided in a uniform manner.
- **Make sure the records “tell the story”** on how expenditures were identified, approved and incurred, including payroll.



# Procurement Process

Determine what services and/or goods need to be procured

Create advertisements for goods and services – as applicable

Get HCD's approval to proceed with procurement of services

Advertise in multiple media (print, online, etc.)

Document response documents on time

*Subrecipient should document logs, sign-in sheets, evaluation sheets, meeting minutes, etc.*

Conduct SAMs check and award contract as appropriate



# Procurement

**Subrecipient Roles and Responsibilities:** Subrecipients are expected to:

- **Determine and document** what services related to the grant funded project(s) may need to be procured.
- **Notify HCD** of intended services to be procured, costs, and applicable methods of procurement.
- **Communicate with HCD** any issues and updates to all procurement processes including RFPs, vendor bid proposals and qualifications, etc.



# Procurement (cont'd)

**MSA Requirements:** While DR/MIT programs may have specific language, subrecipients should generally review the following sections:

Location/Section	Language Summary
Exhibit D – Procurement	<ul style="list-style-type: none"><li>The Subrecipient shall comply with the procurement provisions in 2 CFR Part 200.317 – 200.326, Procurement Standards, as well as all other Administrative Requirements for Grants and Cooperative Agreements to state, local and federally recognized Indian tribal governments as set forth in 2 CFR 200, et al, as applicable. All procurements must be conducted in a fair, open, and competitive manner in compliance with both the spirit and the letter of applicable federal and state procurement laws.</li></ul>
Exhibit D – Procurement of Recovered Materials	<ul style="list-style-type: none"><li>Subrecipient and the Subrecipient's contractors shall comply with Section 6002 of the Solid Waste Disposal Act of 1965, as amended by the Resource Conservation and Recovery Act. The Contractor shall procure items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR Part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition</li></ul>



# Procurement (cont'd)

**Reporting Requirements:** A summary of all procured contracts, including contractor names, award amount, project, etc. needs to be provided to HCD which will be included on the DR or MIT website as part of HUD compliance.

**Recordkeeping Requirements:** Subrecipients should maintain records that clearly demonstrate actions taken/decisions made pertaining to its procurement process.

- Independent Cost Estimate or Method used to determine reasonableness
- Complete Proposal/Qualification/Bid for services
- Section 3 and MBE/WBE Business Searches
- Proof of advertisement in the largest regional paper, at a minimum
- Log of responses received (should show dates and times received)
- Tracking of questions received, responses and public postings
- Meeting notes from meetings held to address solicitation (pre-bid, bid opening)



# Procurement (cont'd)

## Best Practices and Considerations:

- **Designate a Procurement Subject Matter Expert (Procurement Officer)** responsible for compliance with 2 CFR 200.
- **Establish a SOP and file checklist for procurement and use templates** for:
  - Cost Estimates
  - Competitive Procurement Proposals and Qualification Ads/solicitations
  - Sealed Bid
  - Soliciting Quotes for small purchase
- Download “HUD: Buying Right” as a reference guide and save a copy of the HUD-required contract terms.
- **Have all solicitations reviewed** for all required terms and compliance **prior to advertising**.



# Section 3 Process

## Section 3 Triggered Contracts

Require Contractors to track Section 3 efforts and Progress on a regular basis

## Section 3 Outreach Events

Sufficiently document activities, training, and outreach to businesses

## Section 3 Tracking

Tracking of Subrecipient's status and its contractor's progress

## Section 3 Report Submission to HCD

If Section 3 program goals are not achieved provide report of efforts made, numbers, and how it will be improved



## Section 3

**Subrecipient Roles and Responsibilities:** Subrecipients are expected to:

- **Determine and document:** Best methods to encourage Section 3 individuals and businesses participation and method of tracking efforts and goal performance.
- **Notify HCD:** Update HCD if encountering issues in meeting Section 3 requirements.
- **Communicate and Report to HCD:** Report to HCD progress at least annually unless HCD determines more frequent reporting is required.



## Section 3 (Cont'd)

**MSA Requirements:** While DR/MIT programs may have specific language, subrecipients should generally review the following sections:

Location	Language Summary
Exhibit D: Section 12: Section 3 Training, Employment, and Contracting Compliance	<ul style="list-style-type: none"><li>• Current contract language requires subrecipients to comply and document Section 3 requirements on triggered contracts.</li><li>• <b><u>NOTE: Contracts will be amended to reflected the Section 3 Final Rule (change from 24 CFR Part 135 to Part 75).</u></b></li></ul>
Exhibit D: Section 12: Section 3 Training, Employment, and Contracting Compliance	<ul style="list-style-type: none"><li>• Subrecipients are required to perform the following:<ol style="list-style-type: none"><li>(1) Implement procedures designed to notify Section 3 workers about training and employment opportunities.</li><li>(2) Notify potential Contractors for Section 3 covered projects.</li><li>(3) Add Section 3 clause to contract which holds the contractor responsible for complying with Section 3 requirements.</li></ol></li></ul>
Exhibit D: Section 23: Reporting Requirements	<ul style="list-style-type: none"><li>• Requires the report to be submitted at least annually.</li></ul>



## Section 3 (Cont'd)

- **Reporting:** Section 3 reports must show the total hours worked by Section 3 workers, and the percentage of those hours as part of the total hours for all employees.
  - A subrecipient must submit a report to HCD annually.
  - Subrecipients are responsible for ensuring project targets are met and if not to document justification of why it was not met and how they intend to improve current plans to meet Section 3 targets in future projects.
- **Recordkeeping:** Subrecipients must develop a system tracking Section 3 hires, work hours, outreach and event, and also tracking the actions and efforts of its contractors to comply with Section 3 requirements.
- **Document Examples:** Subrecipients should also keep records of:
  - Advertisement of opportunities and outreach activities
  - Outreach Events
  - Training Events
  - Other efforts made in order to attempt to reach the Section 3 goals
  - Monthly reports submitted by Contractors
  - Reports submitted to HCD



## Section 3: Best Practices

- **Appoint a Section 3 Officer**
  - Create Section 3 report templates for Contractors and your Agency.
  - Should monitor Section 3 numbers to determine progress in meeting project goals.
  - Receive training at least annually.
  - Coordinating Section 3 events and outreach.
- **Require Contractors to submit Section 3 reports monthly**
  - This will assist in determining if your agency is on track to meet project goals via milestones within the project timeline.



# Labor Process

## Appoint Labor Officer:

*This individual will ensure contractors are in compliance with DBRA standards and ensure compliance with Payroll and assess penalties*

## Host Pre-Construction Conference:

*Document all potential federal labor standards provision requirements*

## Ensure Proper Wage Decision Executed:

*Correct Classification, areas, rates*

## Labor Officer regularly monitor for Construction Site Compliance:

*Posting Compliance and Interviews*

## Review Certified Payroll Reports (CPRs) for accuracy and completeness:

*Weekly Review, CPR Log*

## Assess penalties:

*Liquidated Damages, Debarment and Suspension*

## Submit Semi-Annual Report to HCD timely:

*Twice a year (Oct and April)*



# Labor

**Subrecipient Roles and Responsibilities:** Subrecipients are expected to:

- **Determine and document:** Determine if project triggers labor requirements. Document complying with all applicable labor law requirements and document timeliness, execution, follow-up.
- **Notify HCD:** If issues or obstacles are encountered reach out to program staff for best actions or mediation.
- **Communicate and Report to HCD:** Submit Semi-Annual report twice a year – at a minimum – and maintain communication related to any labor issues or training needs that are necessary to ensure no violations occur.



# Labor (Cont'd)

**MSA Requirements:** While DR/MIT programs may have specific language, subrecipients should generally review the following sections:

Location	Language Summary
Exhibit D: Section 16: Contracting and Labor Standards	<ul style="list-style-type: none"><li>Requires all subrecipients to comply with all applicable labor laws and document compliance</li></ul>
Exhibit D: 17: Prevailing Wage Rates	<ul style="list-style-type: none"><li>Requires all subrecipients to comply with all applicable labor laws and document compliance</li><li>Defines Construction Work as: Includes, but is not limited to, rehabilitation, alteration, demolition, installation or repair done under contract and paid for, in whole or in part, through this Agreement.</li><li>Sets standard that all construction work must be made through a written contract. The contract must incorporate all applicable labor laws and hold the contractor to complying with labor laws on both the federal and State of California level</li></ul>



# Labor (Cont'd)

- **Reporting Requirements:** The Subrecipient is required to provide HCD the Semi-Annual Labor Standards report quarterly.
  - Subrecipient should create a system that tracks the following to make the Semi-Annual Report easier to complete:
    - Liquidated Damages
    - Restitution (straight time and over time)
    - Construction Contracts award (when and amount)



# Labor (Cont'd)

- **Recordkeeping:** Subrecipients must maintain detailed records of activities, restitutions, penalties, and communication related to labor. Failure to document labor actions could cause major findings or other issues later.
- **Examples of Documents:**
  - Payroll Deduction Authorization (Time Sensitive)
  - Authorization to Sign Payrolls
  - Certified Payroll Reports (CPRs)
  - CPR Review Logs
  - Additional Classification requests
  - Construction site posting photos
  - Executed Wage Decision
  - Employee Interview Forms



# Labor: Best Practices

- **Appoint a Labor Compliance Officer (LCO)** who is knowledgeable in labor requirements.
  - Send for HUD or DOL training **at least annually**.
- **Create or use templates from DOL or HUD.**
- Create Policies and Procedures for Labor actions.
- Get the contract information for your regional HUD and DOL representatives.
  - **Foster a positive relationship with the HUD Labor Regional Office.**
  - LCO should make the outreach.
- Reach out to HCD, HUD, or DOL with questions as they occur. **Don't wait until you have a major problem.**



## Part II Takeaways

- **Always review and look towards the MSA/SA as the governing document for meeting certain requirements; however, the MSA/SA may only outline requirements which should be met.**
  - The MSA/SA and its Exhibits contain the requirements which subrecipients are contractually obligated to.
  - Other documents (program policies and procedures, fact sheets, training materials, etc.) should support how or why certain requirements are met.
  - Specific, or scenario-based, compliance may require reaching out to HCD staff and receiving direct technical assistance.
- **Part II's coverage of the MSA/SA requirements include the most pertinent and frequently occurring federal cross-cutting requirements.**
  - There are other requirements which subrecipients should know/understand.



# Questions?



## Next Steps: What's to Come

- Additional subrecipient training series courses will focus on:
  1. *Deeper-dive review (“boot camp”) of regulatory bases* for federal cross-cutting requirements AND *further discussion on efforts for documenting compliance* with grant and regulatory requirements.
  2. *Preparing subrecipients for monitoring* and further outlining of the monitoring strategy, approach, and methodology.
- Next course in the series anticipated to launch in Q1-2022.



# Additional Resources

- [ReCoverCA CDBG-DR/MIT Grant Management Resources webpage \(HCD website\)](#)
  - CDBG-DR Grant Admin Manual (CDBG-MIT Addendum)
  - Citizen Participation Plan and Federal Register Notice 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 Grant Management Resources webpage in the coming weeks:
  - Presentation
  - Webinar recording
  - FAQs



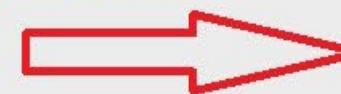
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