



State of California  
Department of Housing and Community  
Development

Community Development Block Grant  
**National Disaster Resilience**

Monitoring Plan

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**NOTE: Exhibits A through D provide tools to assist HCD staff in monitoring and are part of this monitoring plan. However, the Exhibits are not meant for use by subgrantees so they are not posted on the NDR webpage. HCD will make the Exhibits available to subgrantees or members of the public upon request.**



## I. Introduction

### 1. Purpose

This Monitoring Plan (Plan) describes how the State of California's Department of Housing and Community Development (HCD) oversees other state agencies, its subgrantees, and other monitored entities in the implementation of the National Disaster Resilience (NDR) grant. The NDR grant was awarded by US Department of Housing and Urban Development (HUD) and HCD is the HUD Grantee. This Monitoring Plan defines HCD's responsibilities and procedures for monitoring its subgrantees/subrecipients. Monitoring is an integral management control technique and is an ongoing process that assesses quality of performance over time. Monitoring provides information about program participants that is critical for making informed judgements about program effectiveness and management efficiency. It also helps in identifying instances of fraud, waste, and abuse.

This plan does not describe HCD internal monitoring system. HCD has established its own internal auditing process using the HCD Audit Division staff. See page 49 of the NDR Grant Administration Manual (GAM) for outline of HCD Audit Staff work. At the end of each calendar year, the Audit staff prepare a formal report on all internal audit work completed, including any CDBG-NDR audit work with issues and compliance standards. This report is provided to HCD Executive staff review. This ongoing internal HCD Audit process ensures that the federal and state compliance standards are met and that Grant Management staff follow standard operating procedures for grant implementation.

HCD has established the monitoring plan as a part of its internal controls in conformance with 2 CFR 200.303 and monitoring and reporting program performance requirements as set forth in 2 CFR 200.328-332. These requirements include evaluation and monitoring compliance with federal statutes, regulations, and the terms and conditions of federal awards. All subgrantees will be monitored annually, per this Plan. Most subgrantees will be monitored multiple times over the course of their agreement, depending on complexity of their activities and implementation timeline.

HCD monitors subgrantees in accordance with 2 CFR 200.331(d). Specific monitoring criteria include the following items, although specific items monitored are dependent on the subgrantee and the project or program subject to monitoring:

- Reviewing financial data and performance reports required by the subgrantee;
- Following-up and ensuring that the subgrantee takes timely and appropriate action on all deficiencies detected through audits, on-site monitoring, desk monitoring, and other means; and
- Issuing management decisions for findings or concerns pertaining to the NDR grant.

## A. Roles/Responsibilities

### 1. HCD Personnel

Monitoring is the responsibility of HCD's NDR personnel monitoring assistance may be provided by other HCD staff, including Audit Division staff, as needed basis. HCD personnel, with the support of CDBG-NDR Grant Manager, monitor subgrantees once each calendar year based on an annual monitoring assessment. HCD will also use the services of a technical assistance consultant to support monitoring efforts, as needed.

### 2. HCD Responsibilities

As the lead agency for implementing the State of California's CDBG-NDR grant, HCD leads all monitoring efforts. Using documents and reports submitted by its subgrantees, HCD personnel inspects and monitors grant activities to determine compliance with federal and state laws, regulations, rules, and guidelines relative to the use of CDBG-NDR grant funds. HCD personnel and Grant Manager ensures that subgrantees comply with regulations governing administrative, financial, and programmatic operations, and that they achieve performance objectives on time and within budget.

### 3. Subgrantee Personnel

The subgrantee personnel listed in the Standard Agreement (SA) is the point of contact for day to day grant administration and for coordination on monitoring efforts. The subgrantee staff organizes grant files in preparation for the monitoring and provides documentation requested from HCD staff for desk monitoring or during on-site monitoring. Subgrantee staff must have a significant understanding of CDBG-NDR requirements and objectives and be familiar and knowledgeable regarding NDR projects and the grantees role in the NDR program.

### 4. Subgrantee Responsibilities

Subgrantees are responsible for administration of NDR grant activities described in the SA scope of work. Some grantees have multiple activities and some activities are more complex, so monitoring requirements will vary. At a minimum, subgrantees are responsible for:

- Complying with the terms and conditions of the Standard Agreement with HCD, specifically anti-fraud and abuse;
- Following procurement processes in accordance with 2 CFR Part 200 or local standards if higher;
- Monitoring any subrecipients for federal compliance standards;
- Monitoring construction contractors for equal opportunity, federal and state labor standards and Section 3 requirements; and
- Performing sufficient financial controls to ensure NDR costs are eligible, reasonable and allocable;
- Document national objective compliance for all activities.

## II. Annual Monitoring Assessment and Strategy

### A. Assessment Process

Typically, the first step of a monitoring process begins with completing a risk assessment. However, for NDR, HCD will be monitoring all subgrantees and all subgrantee activities. This is possible because HCD will be originating six (6) grant agreements, so it is reasonable to have HCD use this Plan to monitor all subgrantees and their activities. Annually, on a calendar year basis, the Grant Manager will identify which subgrantees and activities need to be monitored. Subgrantees will be monitored based on the status of their grant activities and past success or challenges. This annual monitoring scheduling process gives HCD personnel the ability to ensure that all subgrantees and activities are monitored and to target subgrantees and activities that are ready for monitoring reviews.

To determine how often subgrantees or activities will be monitored, HCD considers several factors, including unique or local circumstances that may contribute to or increase the risk that compliance requirements will not be adhered to or program objectives will not be achieved. HCD analyzes the status of activity expenditures and progress narratives to determine the schedule for desk and onsite monitoring activities. Factors considered when determining monitoring needs include, but are not limited to:

- Experience with similar programs;
- The result of any previous NDR monitoring conducted;
- Whether the subgrantee has new personnel or substantial changes to any grant delivery systems or organizations;
- The complexity of the activity or compliance standards;
- Length of time since last monitoring; and
- Nomination from staff/management.

Records of the annual assessment outcomes are maintained by the Grant Manager in the subgrantee monitoring file. The annual assessment monitoring will be tracked in both HCD current Grants Network/Grant Management System (GMS) and in HUD Disaster Recovery Grant Reporting (DRGR) system. These systems will track the types of monitoring and overviews of monitoring outcomes and clearances of any issues. Using these two monitoring tracking systems, HCD management can validate completion of annual monitoring strategy.

### B. Annual Strategy

Based on the monitoring assessment, GM will implement a monitoring strategy in accordance with the selected subgrantees and activities that need to be monitored. A monitoring may be an agreement comprehensive compliance review, or it may be oriented toward assessing compliance or performance in a specific area. Whether a monitoring review is conducted at HCD or on-site, the annual strategy defines the scope and focus of the effort. The monitoring strategy includes, but is not limited to:

- Specific subgrantees or activities or compliance standards to be reviewed;

- Type of reviews proposed, desk or on-site;
- Subgrantee names and contact information for monitoring;
- Identification of monitoring checklists to be used and documents that need to be provided; and
- A monitoring schedule, with proposed monitoring dates.

### III. Desk Monitoring

HCD uses formal, structured desk reviews (or “desk monitoring”) for discrete focused monitoring. These Desk monitoring have limited documentation requirements so that there is not a burden of shipping boxes of paper files or transferring large electronic files. Desk monitoring are performed in HCD offices regardless of subgrantee location and provide HCD with the ability to monitor subgrantees on a specific subject matter on a regular basis so that the Plan’s goal of monitoring all subgrantees and their activities can be achieved.

#### A. Pre-Monitoring Preparation

Prior to initiating the Desk monitoring process, HCD personnel must ensure that there is sufficient information on the subject matter that is to be reviewed, i.e. ensure procurement is completed before monitoring it. Therefore, before engaging the subgrantee in the desk monitoring process, Grant Manager reviews the following:

- The requirements of the NDR program;
- Previous monitoring, applicable reports, correspondence, or files;
- The Standard Agreement with the subgrantee, including amendments (if applicable); and
- The annual monitoring assessment and strategy.

#### B. Monitoring Notification Letter

The HCD Compliance Manager contacts the subgrantee at least 30 days prior to the start of desk monitoring via a monitoring notification letter. **See Exhibit A for sample letter.** The letter reiterates the purpose of the desk monitoring and the subgrantee’s responsibilities related to the monitoring effort. The letter also identifies the activity and compliance standards to be monitored, the documentation to be delivered to the HCD personnel, and the method(s) for providing the documentation to HCD.

The timeframe from the notification letter to the commencement of desk monitoring allows a sufficient period for the subgrantee to organize monitoring documentation, review their policies and procedures, and initiate internal controls they determine to be appropriate in advance of the formal monitoring. Also included in the letter is the monitoring checklist or checklists that should be used to compile the documentation for subgrantee submission to HCD.

Once the subgrantee returns the requested supporting documentation to HCD, HCD personnel performs a preliminary review to determine that all requested documentation has been provided. In accordance with monitoring objectives, HCD

personnel may exercise their judgement to determine if additional, reasonable guidance would improve monitoring results or if the documentation is a satisfactory for compliance verification.

### C. Monitoring Process

With the documentation received, HCD personnel begins their desk monitoring with the objective of identifying areas of merit to be recognized and areas that are deficient and must be improved to ensure effective NDR grant administration, activity implementation and compliance with state and federal regulations.

During a review of the documentation, HCD personnel should use the following resources to ensure that determinations made in the monitoring are applicable and accurate:

- Federal Register Notices applicable to the NDR grant;
- The subgrantee's Standard Agreement;
- Other federal regulatory guidance, such as the administrative requirements, cost principles, and audit requirements outlined in 2 CFR 200;
- Relevant correspondence between HUD, HCD, and the subgrantee.

Types of determinations may be made as a result of the review, a findings, and concerns. **A directory of typical findings, concerns is in Exhibit C.** HCD will provide a written letter listing each finding and concern, or if the monitoring does not indicate any findings, and concerns, then a clearance letter is provided.

#### 1. Findings

Findings are deficiencies in NDR performance for which there is clear non-compliance with a statutory, regulatory, or NDR-specific requirement. Findings identified during monitoring must be addressed with an appropriate course of action, known as a corrective action plan.

Findings are recorded with a specific regulatory citation of the requirement that is not being adhered to, as well as a description of the condition which is causing the finding. Where possible, references should be made to specific dates, documents, payments, costs, or activities, rather than general operations.

In addition to a description of the finding, the monitoring review must identify a proposed corrective action with the appropriate guidance.

#### 2. Concerns

Concerns are similar to findings in that a deficiency in performance is identified. However, the deficiency is not in clear violation of an existing statutory, regulatory, or NDR-specific requirement. Concerns may lead to future findings if deficiencies are not corrected.

Concerns may be more broadly described than a finding and not specifically cite a requirement. Concerns often reference a deficient process and not a deficient item. The concern does not need a corrective action plan but does require a response from the subgrantee and does not necessitate a corrective action requirement from the Grant Manager.

### 3. No findings or concerns

If the monitoring review does not identify findings or concerns, such a result must also be noted in the monitoring review file, GMS and DRGR.

## D. Monitoring Results

Upon completion of the desk monitoring, HCD personnel prepares a monitoring letter that describes the results of the areas reviewed and the basis for the conclusions. See Exhibit B for sample letter. The monitoring results letter should recognize areas of merit or satisfactory performance as well as document all findings, and concerns noted during the review.

A draft of the letter is provided to the subgrantee within 30 days of receipt of the Desk monitoring package. A conference call is set up to discuss the monitoring results and the recommended corrective actions. The subgrantee and HCD staff discuss the draft letter. If the subgrantee has documentation to clear a concern or finding, then that documentation is submitted for HCD review. After all reviews are completed, then HCD and subgrantee will reach an agreed upon set of monitoring results and corrective actions. The final monitoring letter is signed by the Compliance manager and sent to the subgrantee, with a copy being maintained in a monitoring file at HCD's offices. This final monitoring information is also placed into GMS and DRGR for tracking purposes.

### 1. Corrective Action Plan

Each finding identified in a monitoring letter must be addressed with an action plan. HCD allows the subgrantee 30 days to respond with a corrective action plan. Extensions of time may be granted at HCD's discretion or if a time extension is requested and supported by the subgrantee.

In the corrective action plan, the subgrantee must describe the steps taken to resolve each finding and/or provide new process information or clarification on resolving the compliance issue. The corrective actions should generally follow the agreed upon recommendations from the draft review process.

The HCD Personnel reviews the subgrantee's corrective action plan and compares the plan to the findings noted during the Desk monitoring HCD's monitoring clearance letter must respond to each finding's corrective action plan and confirm that it is sufficient to clear a finding. If additional revisions are needed to the corrective action plan before clearance, HCD personnel will

communicate with the subgrantee via phone or e-mail to reach resolution. All findings from monitoring visits must be cleared prior to NDR closeout.

## 2. Addressing Concerns

Each concern identified in a monitoring letter must be addressed with a brief explanation of the changes to policies or procedures. The changes to policies or procedures must be shown to prevent the concern from getting worse, moving into a finding or eliminate the concern all together.

## 3. Sanctions

If a finding remains uncorrected, one or more sanctions will be imposed. The severity of the sanction(s) is governed by the type and seriousness of deficiency. Possible sanctions include, but are not limited to:

- Reporting subgrantee in federal debarment system;
- Advising the partner/subgrantee that additional information or assurances will be required before additional funding is provided
- Suspension of grant payments;
- Termination of grant;
- Requiring recapture of funds
- Disqualification from consideration for other CDBG funds; and
- Legal action pursued by CA Attorney General.

Additionally, if the subgrantee does not address the deficiencies after being sanctioned, additional sanctions may be imposed.

## Record Keeping

HCD and its subgrantees are required to meet, at a minimum, the requirements covered in 24 CFR 570.490 (a) and (b) and 2 CFR 200.333. Accurate and detailed records must be maintained in a manner that allows for easy access and provides enough information to make an accurate assessment on performance and compliance with all applicable regulations and requirements, either at the Federal or State level.

HCD and its subgrantees are required – at a minimum – to:

Retain all books, records, accounts, documentation, and all other materials required by the Standard Agreement for a minimum period of five (5) years after HCD notifies the subgrantees that the HUD/HCD grants are closed.

Permit applicable Federal and/or State entities and its representative(s) – as applicable – access to all files upon reasonable notice, access to any or all books, records, accounts, documentation, and all other materials relevant to the SA for the purpose of monitoring, auditing, or otherwise examining said materials.

#### 4. Technical assistance

HCD uses monitoring to provide technical assistance and information to subgrantees to improve performance, develop or increase capacity, and augment management and technical skills where possible and feasible. Technical assistance may be provided as part of the subgrantee's development of correction action plans or addressing concerns.

The objective of technical assistance is to aid the subgrantee in its day-to-day compliance with federal and state regulations and program requirements. The nature and extent of technical assistance is determined at the discretion of the Grant Manager. Some examples of technical assistance include:

- Verbal or written guidance;
- Formal training; and
- Observation of subgrantee activities and the provision of feedback.

HCD identifies subgrantee training needs by reviewing the results of monitoring to determine the nature and extent of technical assistance. Training is targeted to address the most common challenges revealed in monitoring to increase local grants management capacity and provide relevant technical assistance.

#### 5. Monitoring Clearance

After all follow-up actions are completed, the subgrantee must submit a monitoring resolution letter listing all findings and concerns with statements regarding resolution of concerns and completion of corrective action plans. HCD will provide a final monitoring clearance letter. The final outcomes of the desk monitoring will be recorded in GMS and DRGR.

### IV. On-Site Monitoring

The HCD Grant Manager supports HCD monitoring personnel with conducting on-site monitoring visits in accordance with the annual schedule developed by the assessment and monitoring strategy. On-site monitoring activities are conducted at a site where the subgrantee administration and activity record keeping systems are in place. On-site monitoring is an effective way to validate desk monitoring results, identify and/or research discrepancies, and more closely monitor larger compliance standards.

Similar to the desk monitoring process, the subgrantee is sent a monitoring notification letter in advance of the site visit. The letter is sent at least 30 days before the site visit to allow time for sufficient preparation. The subgrantee is required to have records, files, and documentation available for review during the visit. To expedite the review process, the notification letter lists areas or items that will be monitored during the visit. If the subgrantee engages other public agencies, operators, or consultants for program implementation, records must be available at the subgrantee's office during the visit.

Monitoring visits are an opportunity to increase the subgrantee's capacity to deliver services and implement projects or programs and for communication and problem-solving technical assistance between HCD and its subgrantees.

HCD aims to conduct on-site visits annually through grant closeout. An onsite monitoring may also be conducted if a significant deficiency is identified during desk monitoring, technical assistance visit, or other interaction with the subgrantee.

#### A. Entrance Conference

The first step of the monitoring visit is the entrance conference. HCD personnel meet with the subgrantee staff to explain the process of the review and identify possible outcomes HCD personnel asks the subgrantee to identify staff for each activity or area to be monitored and general logistics, such as the location of copiers, access hours, fire exits, etc., are discussed.

#### B. Monitoring Process

During the on-site visit, HCD personnel reviews files for compliance with applicable federal and program requirements. This review is similar to the desk review process found in Section III above. To prepare for on-site visits, HCD personnel uses information collected during desk monitoring, such as employee time sheets, financial statements, position descriptions, and policy and procedural manuals provided by the subgrantee.

HCD personnel interviews and observes key program staff, reviews documentation, and examines the subgrantee's effort to monitor its subrecipients (if applicable) and manage its contractors. In conducting the review, the HCD personnel limits their review to the topics outlined in the monitoring notification letter whenever possible, unless sufficient concern is raised over an item that was not included.

##### 1. On-Site Project Inspections

Generally, HCD does not monitor a subgrantee's subrecipient or construction contractor. Rather, HCD monitors the subgrantee's monitoring of the subrecipient or contractor. Monitoring of the subgrantee's subrecipients and contractors is the responsibility of the subgrantee. However, if HCD determines that a subgrantee has not performed adequate monitoring of its subrecipients or contractors, HCD may directly monitor the subrecipient or contractor to confirm that federal and state regulatory compliance is being provided. When necessary, HCD personnel arranges on-site project inspections with the subgrantee and its subrecipients or contractors to confirm eligible NDR activities are being conducted, eligible costs are being charged and that the required national objective is being met.

#### C. Exit Conference

HCD's personnel concludes the site visit with an exit conference. The subgrantee staff and management, as appropriate, are expected to attend. HCD personnel identifies issues revealed during the monitoring visit and discusses the impacts of the deficient practices. As with all phases of monitoring, the information provided in the

exit conference is technical assistance and designed to build capacity and ensure program compliance.

Issues will not be categorized as a finding or concern during the exit conference. The final monitoring category and necessary corrective actions are transmitted to the subgrantee via a formal monitoring report letter. HCD staff, to the extent possible, works with the subgrantee to correct problems during their time on-site.

#### D. Monitoring Results

The results of on-site monitoring are delivered through the monitoring results letter, similar to the desk monitoring process. If possible and feasible, on-site technical assistance can be presented immediately to correct an observation, finding or concern identified in the monitoring. Findings, concerns or an observation that can be corrected through a corrective action plan or a response from the subgrantee for observations.

Findings noted in the monitoring results letter from on-site monitoring require the same corrective action plan as a desk monitoring. Refer to Section III above for more information.

### V. Monitoring Activities

HCD personnel conducting monitoring activities use established monitoring checklists as a guide to the applicable laws and requirements when reviewing administrative and programmatic files and records. A general description of each area tested during monitoring is provided below. Each description below has an associated HCD monitoring checklist that is used by HCD personnel to facilitate the review. The monitoring checklists are not included with this monitoring plan. In addition, the applicable checklists for each area being monitored is sent to the subgrantee with the Monitoring Notification Letter to assist them in preparing for the HCD monitoring.

#### A. Program Progress

HCD's personnel compares the schedule in the Standard Agreement to the actual progress to date (both in actual results and funds expended) to ensure the program is progressing in accordance with the time frame established.

#### B. Program Benefit

The HCD personnel reviews program files to ensure the appropriate National Objective has been met and that the method of determining eligibility was performed in compliance with the State's *Income Calculation and Determination Guide for Federal Programs*, if applicable to the program. The Grant Manager reviews progress reports submitted by the subgrantee to determine how many beneficiaries have been served and compares the actual number to the number projected in the approved funding application or agreement between HCD and the subgrantee.

For economic development projects, the HCD personnel reviews project files to confirm each assisted business has hired/retained the workers required in the approved business loan application, commitment letter, and loan agreement. Job creation/retention is verified through the review of payrolls and employee and/or new hire income certifications. A visit to the project site may also be part of the review. The subgrantee is advised by the HCD personnel in advance to schedule meetings with borrowers and/or business personnel.

Activities that do not meet the defined National Objective may be determined to be ineligible and a repayment of funds may be required.

#### C. Environmental Reviews

For subgrantees that can act as Responsible Entity (RE) for NEPA, HCD personnel conducts a review of subgrantee project Environmental Review Record (ERR) to verify that environmental clearance procedures comply with National Environmental Protection Act (NEPA) requirements. This review includes determining whether required procedures, finding forms, applicable supporting documentation, and necessary notices, public participation and actions are part of the ERR and available at the local government office for public review. HCD personnel makes sure that required mitigation or follow-up actions indicated by HCD correspondence have been carried out.

For some CDBG-NDR subgrantees, HCD must act as the RE and take responsible for NEPA compliance. In these cases the Grant Manager coordinates the development of the ERR with third party consultants and subgrantees. With the assistance of consultants and subgrantee staff, the Grant Manager is responsible for ensuring procedural compliance for environmental reviews on projects that require HCD to be RE.

#### D. Procurement

The subgrantee's records are reviewed for compliance with federal, state and local bidding and contract requirements. The HCD personnel evaluates the method of procurement, records of bids and proposals, selection procedures and the processes and documents for procuring professional services, supplies, materials, and construction contracts. Contracts and agreements are reviewed to ensure the required CDBG-NDR language and provisions have been included.

#### E. Labor Standards *(if triggered)*

The HCD personnel reviews project files to determine if this federal overlay is triggered by subgrantee activities. If any activity involves payment of construction costs and triggers these laws and regulations, then HCD personnel review subgrantee files for documentation of federal labor standards procedures and requirements being followed, including Davis Bacon and Related Acts. Records are reviewed to assure compliance with applicable labor laws and CDBG-NDR required record keeping.

HCD has appointed the Grant Manager as the Labor Standard Compliance Officer for CDBG-NDR projects administered by subgrantees who cannot take on the responsibility of labor standards compliance, i.e. are not a public entity. In these instances, the subgrantee will hire a labor standards compliance staff or consultant to assist the Grant Manager in labor standards compliance functions. With the assistance of subgrantee staff or consultant, the Grant Manager is responsible for ensuring CDBG-NDR funded project construction activities are bid out with federal labor standards compliance standards and incorporates prevailing wage language and processes. The Grant Manager, as needed, coordinates with the HUD Region IX Labor Specialist for construction activity implementation.

#### F. [Property Acquisition, Relocation and Displacement \(if triggered\)](#)

The HCD personnel reviews project files to determine if this federal overlay is triggered by subgrantee activities. If any activity does trigger these laws and regulations, then HCD personnel review subgrantee files for documentation of federal procedures and requirements being followed, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended by the Uniform Relocation Act Amendments of 1987 (URA). The review includes Section 104(d) relocation and one-for-one replacement housing requirements, where applicable.

If triggered, HCD personnel works with Grant Manager to determine if the subgrantee followed the correct real property acquisition procedures, including initial contact with the property owner, documentation of response, appraisal and review, just compensation determined, and offer made and accepted.

If triggered, HCD personnel works with Grant Manager to determine if the subgrantee followed the correct relocation standards and procedures, including providing initial General Information Notice (GIN), determination of relocation benefits, documentation of benefit received by the displaced person, and responding to any complaints or protests to the benefit award amount.

#### G. [Equal Opportunity and Fair Housing](#)

The subgrantee records must include an assessment of the effectiveness of the program's marketing and outreach efforts to ensure equal access to and non-discrimination in all program benefits. This includes a comparison between the subgrantee's general population, program applicants, and beneficiaries that received assistance or services. Applicants and beneficiaries that do not mirror the general population may indicate inadequate outreach.

The HCD personnel also reviews employee hiring practices to see if they are exclusionary. If there are outstanding complaints or lawsuits related to equal employment, the Grant Manager will require subgrantee to provide additional details on their hiring practices. The HCD personnel also determines compliance with Section 504 non-discrimination on the basis of disability and accessibility to program benefits, facilities, and services. Finally, the HCD personnel reviews subgrantee compliance with the requirements of Section 3.

## H. Financial Management

The HCD personnel determines compliance with the financial management requirements outlined in Section V. In particular, the monitoring review determines if records are maintained in compliance with 24 CFR §85, 2 CFR §200, and applicable state requirements. Typically, the HCD monitoring staff reviews ledgers, invoices, cancelled checks, bank statements, and funds requests to verify that the subgrantee has an adequate financial management system.

### Single Audit Requirements – Subgrantees

In accordance with the Single Audit Act of 1984 and the OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), non-federal entities are required to track federal funds awarded to subgrantees and pass-through recipients each year. Subgrantees who spend \$750,000 or more in federal funds during a fiscal year are required to have an audit conducted in accordance with 2 CFR 200.501. Subgrantees who spend less than \$750,000 are exempt from the audit requirements, however, must submit written notification of its exempt status to the California State Controller's Office (SCO) and records must be available for review or audit by appropriate officials of the federal agency, pass-through entity and the Government Accountability Office

Uniform Guidance 2 CFR 200.513 and 2 CFR 200.331 describe the responsibilities of federal agencies and pass-through entities. Specifically, Uniform Guidance, 2 CFR 200.331 prescribes the responsibilities of a pass through entity for the federal awards it makes. To ensure that the State of California carries out its responsibilities in accordance with this federal act, the Section 20070, gave the SCO the responsibility of coordinating single audit activities in local governments. A part of those responsibilities includes the monitoring and review of the single audit reports. In summary, local governments entities are required to submit their reports to the Federal Audit Clearinghouse (FAC) and the SCO. The SCO reviews all state subrecipient audit reports submissions and notifies HCD if there are findings related to HUD funding.

## I. Program Income

When applicable, the HCD personnel review administrative and activity records pertaining to CDBG-NDR Program Income (PI). The HCD monitoring staff verifies that financial records are maintained, and that receipts and expenditures of comply with federal requirements. Subgrantee accounting records are reviewed to ensure they are being maintained and that they can provide accurate annual reports, as required by HCD SA. HCD personnel review all PI activity files to ensure they comply with all the standard federal requirements of other CDBG-NDR activities under the SA.

## J. Certifications

Subgrantees are required to certify that they understand and will adhere to key regulatory requirements associated with the CDBG-NDR funds. HCD personnel reviews subgrantee certifications to ensure compliance, including adherence to

HCD's Citizen Participation Plan and Residential Anti-displacement and Relocation Assistance Plan, where applicable.

#### K. Program Management

The HCD personnel verifies that overall grant management policies and procedures are in place to assure the continuing capacity of the subgrantee to properly administer CDBG-NDR funds. HCD personnel reviews program record keeping, timeliness of reporting, history of receiving stop payments, program files, the subgrantee's ability to work within a designated time frame, and the effectiveness of the subgrantee's management system.