

State of California
Department of Housing and Community Development

**Monitoring Plan
for the
Community Development Block Grant
Program (CDBG)**

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Introduction

The State of California (State) receives an annual allocation of Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD) to support housing and community development needs and priorities identified in the State's Consolidated Plan and Annual Action Plans. The CDBG Program is administered by the Department of Housing and Community Development (Department) in compliance with the Housing and Community Development Act (HCDA) of 1974; the Code of Federal Regulations (CFR) for the State and Small Cities CDBG Program; the HCD CDBG Program Guidelines; and the HCD CDBG Grants Management Manual.

The Department, as a recipient of HUD funding, is responsible for ensuring that federal funds are expended in accordance with program requirements. HCD is responsible for monitoring CDBG Program activities implemented by other entities including, but not limited to units of local government (Grantees), developers, non-profit or for-profit organizations. Monitoring consists of reviews and audits including both onsite monitoring visits and remote reviews. In cases where monitoring reveals noncompliance with federal or State requirements, the Department will take actions to prevent continuance of the deficiency, mitigate adverse effects or consequences, and prevent any recurrence.

Definitions and Abbreviations

The Monitoring Plan uses the following definitions and abbreviations.

CDBG – Community Development Block Grant
Department

GMR – The HCD Grants Management Representative assigned to a particular Grantee

GMS – The Department's eCivis Grants Management System used for administration of CDBG applications, contracts and grants management

Grantee – a unit of local government that has an active CDBG contract from the Department or is administering a CDBG funded Revolving Loan Fund activity

HCD – The State of California Department of Housing and Community Development

HUD – The U.S. Department of Housing and Urban Development

Plan – Monitoring Plan for the CDBG Program

Monitoring Objectives

The Monitoring Plan acts as guidance to ensure the Department will achieve the following objectives:

- Build Grantee capacity to successfully administer activities in accordance with Federal and State CDBG requirements.
- Identify technical assistance needs of Grantees.
- Ensure grantee financial management practices and internal controls are compliant with requirements of Federal and State statutes, regulations and guidelines.
- Verify documentation of Grantee performance and compliance.
- Reveal any noncompliance and implement measures to rectify the condition.

Risk Assessment

It is the responsibility of the Department to monitor all Grantees to ensure compliance with all Federal and State grant requirement. The Department has developed a risk-based rating system to provide for monitoring oversight of all Grantees while targeting resources to Grantees and activities that represent the greatest vulnerability to mismanagement, fraud, waste or abuse. The risk assessment establishes the schedule of Grantees to be monitored onsite or remotely; the frequency of review; the program areas to be covered by monitoring; and the depth of the review.

The risk assessment is conducted annually and results in a monitoring schedule for the coming calendar year.

Rating Grantee Risk

The Department will conduct an annual risk assessment of:

- Grantees with open CDBG grant contracts including both grant funded, and program income funded activities, but not including planning only grants.
- Grantees administering an active Revolving Loan Fund.
- Grantees with completed grant funded or program income funded contracts which have not been monitored.

Risk will be determined for each Grantee using Appendix A - Risk Assessment Worksheet. The risk criteria for consideration include:

- Prior monitoring and audit results
- Complexity of activities undertaken
- Grantee grants management and financial management capacity
- Amount of funds and program income being administered
- Timeliness and accuracy of required reports and documents
- Compliance with contract requirements and performance milestones
- Compliance with Federal and State laws, regulations and guidelines including cross-cutting regulations

The risk criteria above will be phased in over a four-year period. See Appendix B – Transition Plan.

Ranking Grantees

Grantees will be ranked as High Risk, Medium Risk or Low Risk based on the total score on the Risk Assessment Worksheet. The risk level will be used to determine the appropriate frequency and type of monitoring for each Grantee.

The Department reserves the right, at its discretion, to monitor a Grantee more frequently or to conduct a more in-depth monitoring if there is evidence to suspect mismanagement, fraud, waste or abuse.

Review of Training and Technical Assistance Needs

Concurrent with the rating process, the Department will conduct an annual assessment of Grantee training and technical assistance needs including, but not limited to:

- Review of Findings, Concerns and Technical Assistance noted in the previous year's monitoring reports
- Discussions with CDBG staff regarding common issues they hear from Grantees.
- The need to inform Grantees of relevant HUD or Departmental guidance issued in the past year.

Annual Monitoring Schedule

The Department will create a monitoring schedule for the year based on the Risk Assessment. The onsite monitoring schedule will be developed to visit Grantees in close proximity during the same week, if possible, for efficient use of staff and travel resources. The Department reserves the right to schedule a monitoring at any time if mismanagement, fraud, waste or abuse of CDBG funds is suspected, even if the Grantee is not on the annual schedule for the year.

Onsite Monitoring Visits

A minimum of 20% of Grantees with open grant or program income agreements (not counting Planning only grant agreements) will be scheduled for an onsite monitoring visit each year. When possible, Grantees will be monitored before the expiration date of a Standard Agreement. Onsite monitoring will include, at a minimum:

- Financial management policies and procedures
- Achievement of National Objective

If the Grantee administers Economic Development activities:

- Individual Economic Development activity compliance

- Individual Public Benefit Standard (not applicable to Microenterprise)

All Grantees will receive an onsite monitoring visit at least once every five years.

- High Risk Grantees - will be scheduled for an onsite monitoring visit at least once every three years.
- Medium Risk Grantees - will be scheduled for an onsite monitoring visit at least once every five years. If it has been three years since the most recent onsite monitoring, Medium Risk Grantees will be scheduled for a remote monitoring.
- Low Risk Grantees - will be scheduled for an onsite monitoring visit at least once every five years.

Remote Monitoring

When appropriate, remote monitoring will be used for:

- Medium Risk Grantees that have not received an onsite visit in the past three years
- Cross-cutting requirements
- Planning only grants
- Grant closeout

Remote monitoring may be replaced with onsite monitoring at the Department's discretion.

Economic Development activities are recommended for onsite monitoring due to concerns regarding securing the transmission and storage of Personally Identifiable Information (PII) and proprietary business information required by remote monitoring.

Types of Monitoring

The Department will conduct the following types of Grantee monitoring.

Financial Management Monitoring

The financial policies and procedures of Grantees scheduled for an onsite monitoring visit will be reviewed using the Appendix C - Financial Management and Audits checklist. The review will examine the Grantee's overall financial management practices related to the administration of CDBG funds and program income.

National Objective Monitoring

Documentation showing achievement of National Objective will be reviewed using the Appendix D - National Objective checklist appropriate to the Grantee's open grant and program income activities.

Environmental Review Monitoring

The Department will monitor Grantees' Environmental Review Records using Appendix E - Environmental Review checklist. Environmental monitoring may be completed remotely or may be coupled with an onsite visit at the discretion of the Department. An activity will not receive environmental review monitoring more than once unless there were uncleared Findings in the initial review.

- Categorically Excluded Activities - each year, a minimum of 10% of activities classified as Categorically Excluded Not Subject To 24 CFR 58.5 (CENST) or Categorically Excluded Subject To 24 CFR 58.5 (CEST) will be scheduled for monitoring of environmental review documentation.
- Environmental Assessment Activities - each year, a minimum of 20% of activities classified as requiring an Environmental Assessment (EA) will be scheduled for monitoring to determine that the Environmental Review Record is complete and accurate; the final project is consistent with the project described in the Notice of Intent to Request Release of Funds and the Request for Release of Funds (NOI/RROF); and to verify that any required mitigation was completed.
- Environmental Impact Statement Activities - all activities requiring an Environmental Impact Statement (EIS) will be monitored before the end of the contract term to determine that the Environmental Review Record is complete and accurate; the final project was consistent with the project described in the Notice of Intent to Request Release of Funds and the Request for Release of Funds (NOI/RROF); and to verify that any required mitigation was completed.

Economic Development Activities

If the Grantee administers Economic Development activities, onsite monitoring visits will include completion of the Appendix F - Individual Economic Development Activities Checklist for all Over-the-Counter (OTC) activities and a minimum of 20% of Enterprise Fund activities (both Business Assistance and Microenterprise).

All Business Assistance activities (Enterprise Fund and OTC) will be reviewed using the Appendix G - Economic Development Individual Public Benefit Standard Checklist (not applicable to Microenterprise).

Economic Development activities are recommended for onsite monitoring due to concerns regarding securing the transmission and storage of employees' Personally Identifiable Information (PII) and the business's proprietary trade information.

Labor Standards Monitoring

The Department will monitor activities for compliance with federal labor standards wage requirements using both onsite and remote monitoring methods. It is preferred that labor standards monitoring occur during the second year of the standard agreement, once

construction is underway, but before the construction contracts are completed. The monitoring will follow the Appendix H - Labor Standards Administration checklist.

Onsite labor standards monitoring is preferred to reduce risk to Personally Identifiable Information (PII) of workers. If a Grantee administering a project subject to federal labor standards is scheduled for an onsite monitoring visit, the Department will conduct the labor standards monitoring at the same time. When remote monitoring is used, the Grantee will be instructed to redact any PII prior to submitting documents to the Department. If this is not feasible, the Grantee will submit all documentation that does not contain PII and a conditional monitoring letter will be sent at the conclusion of the monitoring. Projects issued a conditional monitoring letter may be subject to additional labor standards monitoring during the next onsite visit.

Each year, labor standards monitoring, either onsite or remote, will be scheduled for:

- A minimum of 20% of Grantees in the second year of a standard agreement that are conducting activities subject to federal labor standards requirements.
- All Grantees with a labor standards Finding within the past three years.

Relocation

Each year, relocation monitoring using the Appendix I -Relocation checklist, either onsite or remote, will be scheduled for:

- A minimum of 15% of Grantees conducting CDBG funded activities that included relocation, whether the relocation was funded with CDBG or other sources were used for relocation.

Procurement

Each year, Procurement monitoring will be conducted using Appendix J - Procurement checklist, either onsite or remote, for:

- A minimum of 15% of activities that involve procurement in excess of \$150,000.

Cost Eligibility

The Department will request documentation of cost eligibility before approving a Grantee's funds request. Cost documentation will be reviewed for consistency with the approved grant activity before funds are disbursed to the Grantee.

Monitoring Team

A Primary Monitor and Secondary Monitor will be assigned to each onsite monitoring visit. The role of the Primary Monitor is to schedule the visit with the Grantee, send the Monitoring Notification Letter, coordinate review of advance documentation, lead the

monitoring visit and coordinate the writing of the Monitoring Report. Remote Monitorings will be assigned a Primary Monitor and do not require a Secondary Monitor. Monitoring Notification Letters and Monitoring Reports will be signed by a person in a supervisory capacity.

The Grants Management Representative (GMR) will work with the Grantee to clear any Monitoring Report Findings.

Monitoring Process

The following process will be used, once the risk assessment is completed and the monitoring schedule is set for the coming year.

Notification of Grantee

The Primary Monitor shall contact the Grantee approximately 45 days in advance of the proposed monitoring date to confirm that Grantee staff will be available. For onsite monitoring, the Grantee will be requested to reserve adequate meeting space for the visit and arrange for site visits to programs/projects. If the Grantee cannot accommodate the proposed date, a new date will be determined. Once the date is established, a Monitoring Notification Letter will be mailed to the Grantee Authorized Representative and copied to the Grantee contact person on file. The copy may be mailed or emailed to the contact person. The Monitoring Notification Letter should be mailed no later than 30 days prior to the Monitoring start date.

Monitoring Tracker

The following information shall be entered into the GMS to track monitoring progress:

- The originally proposed date of the onsite monitoring visit or remote monitoring
- The type of monitoring (e.g. Financial Management, Environmental Review)
- The Primary Monitor assigned
- The date of the notification letter
- The actual start date of the monitoring
- The date of the Monitoring Report
- The number of Findings in the Monitoring Report
- The date of issuance of the Clearance Letter

Onsite Monitoring Visits

Onsite monitoring visits will start with an Entrance Conference to introduce the Monitoring Team to Grantee staff and provide an overview of the monitoring process. The visit will conclude with an Exit Conference outlining observations and any potential Findings or Concerns noted.

Monitoring Report

A Monitoring Report is required for both onsite and remote monitorings. The Primary Monitor is responsible for coordinating the writing of the Monitoring Report; having it signed by the proper supervisory staff and transmitting the report to the Grantee. The Monitoring Report should be transmitted to the Grantee within 45 days after the monitoring is concluded. If the monitoring results in a Finding, the Grantee normally will be given 45-60 days to resolve the issue.

In addition to documenting the results of the monitoring, the report should address any Grantee training or technical assistance needs noted during the monitoring.

Clearance of Findings

The GMR will work with the Grantee to clear any Monitoring Report Findings. As soon as the Grantee provides documentation of satisfactory completion of clearance tasks, a Clearance Letter will be issued. If clearance does not occur within the timeframe in the Monitoring Report, the Department may allow an extension provided the Grantee demonstrates acceptable progress. If clearance does not occur within four months of the date of the Monitoring Letter, the Department will take action to prevent continuance of the deficiency, mitigate any adverse effects or consequences and/or prevent a recurrence as appropriate.

Extraordinary Circumstances

If the Department is unable to follow this Plan due to an extraordinary circumstance, the following protocol will be followed. An Extraordinary Circumstance may include, but is not limited to:

- Federal, State or locally declared natural or man-made disaster.
- Other circumstance out of the control of the Department or the Grantee that would make travel and/or monitoring infeasible or unsafe.

If the delay is deemed to be temporary, the onsite monitoring visit may be postponed until the situation is resolved. The Department may, at its discretion, offer the Grantee the choice of a remote monitoring during the approximate timeframe of the originally scheduled onsite monitoring or rescheduling the onsite monitoring visit to a later date. In no event will monitoring be delayed by more than one year after the originally scheduled date.

When a remote monitoring is conducted in place of an onsite visit, the same process used for onsite visits will be adhered to, with the following modifications: interviews will be conducted by phone or webinar; electronic copies of documents will be requested; all interviews, requested follow up information and documents are due to the Department within two weeks of the start date of the remote monitoring.

When remote monitoring is used, the Grantee will be instructed to redact all PII prior to submitting documentation to the Department. Any requested documentation that cannot be received remotely will be noted in the Monitoring Report and may be subject to monitoring at a later date.

Recordkeeping

Upon completion of the monitoring, all checklists and documents gathered during the monitoring will be placed in a file with a label indicating the following information: Monitoring File, Grantee name, contract numbers monitored, PI or other activities monitored, and date of monitoring. A note will be placed in the file indicating the location of any electronic documentation received. Documents containing any Personally Identifiable Information (PII) should receive proper disposal.

Monitoring files shall be maintained in compliance with Department and HUD retention requirements.

Appendix

- A. Risk Analysis Worksheet
- B. Transition Plan
- C. Financial Management and Audits Checklist
- D. National Objectives Checklist
 - D-1 Low/Mod Area (LMA)
 - D-2 Low/Mod Limited Clientele (LMC)
 - D-3 Low/Mod Housing (LMH)
 - D-4 Low/Mod Jobs (LMJ)
- E. Environmental Review Checklist
- F. Individual Economic Development Activities Checklist
- G. Economic Development Individual Public Benefit Standard Checklist
- H. Labor Standards Checklist
- I. Relocation Checklist
- J. Procurement Checklist