



Chapter 11: Monitoring

Overview

Federal regulations require that Department of Housing and Community Development (HCD) describe the standards and procedures that it will use to monitor activities and ensure long-term compliance with requirements of the CDBG program, including the monitoring of recipients of CDBG funds.

[24 CFR 91.330](#)

As described in this chapter, HCD conducts a monitoring process that is on-going throughout the implementation of each CDBG grant. This process consists of a series of actions meant to verify that the requirements of the agreement between HCD and the Grantee have been completed. Additionally, the Grantee is responsible for undertaking its own monitoring of all subrecipients that administer CDBG grant projects on their behalf.

Section 11.1 Monitoring Purpose and Scope

The purpose of the monitoring is to verify that the project has met the stated goals and objectives of all federal CDBG regulations and that all contractors, subcontractors, and suppliers have been paid in full and have provided final lien waivers. The primary objectives of monitoring are:

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

Successful close-out of CDBG funded activities largely depend upon the organization and accuracy of record keeping by the Grantee.

Section 11.2 Local Government Requirements

Grantees have the fundamental responsibility for ensuring that their program activities remain



on target; that their activities are accomplishing promised results; and that these activities are in proper compliance with applicable laws and regulations.

Grantees must assure that all aspects of their programs are assessed throughout the life of the programs. HCD will be monitoring to determine if the Grantee has a monitoring system in place. In general, the Grantee's system should insure the provision of the following:

1. Designate an individual who will be responsible for program monitoring;
2. A monitoring schedule that will permit at least one full review of the Grantee's program before the end of the program. This review need not be done all at once, but rather may (and perhaps should) be conducted in segments.
3. The system must allow Grantees to take into consideration the CDBG reporting requirements of HCD so that the Grantee will be able to provide the appropriate data required for all required reports.

Section 11.3 Monitoring Priorities and Techniques

HCD's monitoring priorities and techniques are based on the CDBG Monitoring Plan submitted to HUD on an annual basis. HCD does not view monitoring as a one-time event. To be an effective tool for avoiding problems and improving performance, monitoring must be an on-going process. HCD conducts monitoring checks at multiple stages of a project's implementation. These monitoring checks are triggered by various events, including payment draw requests, activity reports, financial reports, and/or ongoing communication with Grantees regarding issues and activities undertaken to implement their CDBG projects.

Appendix 11-1 CDBG
Monitoring Plan

These monitoring checks during the grant project may occur behind the scenes, without Grantee knowledge unless a problem arises or until a monitoring letter is issued. The monitoring review may be a comprehensive evaluation of all aspects of compliance for the project, or it may be oriented toward assessing compliance in a specific area or areas. The reviews may be conducted at HCD's offices or on-site. The depth and location of the monitoring will depend upon which compliance areas needed to be reviewed.

Monitoring Priorities

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 list 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.



The Department will conduct an annual risk assessment of each of the following:

- 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 the CDBG Monitoring Plan, Appendix A (Risk Assessment Worksheet). The risk criteria for consideration include:

Appendix 11-2: CDBG Monitoring Plan Appendix A (Risk Assessment)

- 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 is being phased in over a four-year period, beginning in 2019. The Risk Assessment Worksheet found in CPD Notice 14-04 (as referenced in the CDBG Monitoring Plan Appendix B), used to determine Grantee risk, will be modified each year during the four-year transition period. Monitoring priorities for PY2022 and PY2023 include Financial Management, Procurement, Environmental Review, and Labor Compliance. HCD will utilize progress reporting as well as milestone and expenditure data to determine any additional areas of concern requiring monitoring.

Appendix 11-3: CDBG Monitoring Plan Appendix B (Transition Plan)
[CPD Notice 14-04](#)

	PY2022	PY2023
Grant Monitoring Window	July 1, 2022-June 30, 2023	July 1, 2023-June 30, 2024
Grant Year Being Monitored	2017 grant funded projects	2017 grant funded projects 2018 grant funded projects



Monitoring Techniques

HCD will use one or both of the techniques below for monitoring purposes:

- 1) Remote Monitoring: this type of monitoring is for off-site assessments of Grantees. It includes:
 - review of all Grantee requests for payments;
 - review of all Grantee budget and progress reports;
 - use of telephone, email or virtual meetings for specific monitoring questions; and
 - use of monitoring specific compliance areas such as Financial Management, Labor Standards and Fair Housing and Equal Opportunity containing selected questions about program administration, activity performance, and compliance.
- 2) On-Site Visits: this type of more intensive monitoring may involve:
 - comprehensive monitoring visits where all aspects of the Grantee's program may be evaluated;or
 - only selective monitoring visits where monitoring will be limited to a few aspects of the Grantee's program.

Section 11.4 Onsite Monitoring Procedures

Scheduling an On-Site Visit

HCD will contact the Grantee approximately 45 days in advance to confirm availability for the scheduled monitoring. HCD will then send a Monitoring Notification Letter to the Authorized Representative of the Grantee. The notification letter will specify:

- 1) Who will be conducting the monitoring;
- 2) Dates of the monitoring visit;
- 3) Purpose of the monitoring (compliance areas to be reviewed); and
- 4) Records and data to be reviewed.



Entrance Meeting/Interview

Once on-site, HCD staff will conduct an entrance meeting/interview to state the purpose of the review and summarize the documents and items that will be reviewed. Grantees should be prepared to provide an overview of the project as well as its status and any issues prior to the beginning of the reviews. HCD staff will also ask about particular concerns or needs regarding the project so that technical assistance can be scheduled, if appropriate.

Monitoring of Files and Other Documentation

Utilizing appropriate checklists, the HCD staff will review the files to determine if all requirements have been met. The primary areas being examined are consistency with the specific terms of the grant agreement and compliance with state and federal requirements.

Appendix 11-4: CDBG
Monitoring Plan Appendix C-J
(Monitoring Checklists)

Recordkeeping is the most important component of monitoring. Grantee files pertaining to the CDBG project must be orderly and complete. Detailed information on required documentation of CDBG activities can be found in Chapter 2: National Objectives and Eligible Activities and Chapter 10: Reporting and Recordkeeping of the CDBG Grants Management Manual. In addition, if files are maintained by or located in another office such as an engineer or clerk, these files should be obtained and available for review.

Although HCD staff will spend most of their time reviewing files, at least one staff person from the Grantee should be available at all times to answer questions.

Exit Meeting

After review of all provided documentation, HCD will conduct an “exit” interview with the Grantee to explain all findings. If required materials are not available on the date of the monitoring, HCD will request that the Grantee or Grant Administrator submit the required documentation. If not submitted within the deadline established by HCD, the issues will be listed on the official Monitoring Report.”



Monitoring Findings

- **Finding:** If there are areas that are discovered during the monitoring visit or other monitoring reviews that indicate noncompliance with the laws, regulations, or other contract requirements, this may result in a finding. A finding of non-compliance must be remedied. A finding can result in monetary consequences, such as a pay back of a portion or total of grant funds awarded, or inability to apply for grant funds for a period of time, if corrective action is not taken in a specified manner and/or timeframe. For each finding, HCD will indicate a corrective action, either to correct a past problem or to avoid a future problem, which must be taken by the Grantee.
- **Concern:** A deficiency in program performance not based on a statutory, regulatory, or other program requirement is a concern. Corrective actions may or may not be required for concerns; HCD may recommend actions.

Monitoring Report and Follow-Up

The Grantee will receive a formal review letter giving the results of HCD's monitoring review. This letter will generally be provided within 45 days of the conclusion of the monitoring visit; however, a longer timeframe may be appropriate based on workload and the complexity of the issues at hand. The letter will:

- Summarize the area(s) reviewed and performance expectations,
- Provide a summary and an analysis of what was discovered during the review, and
- List all findings and recommended corrective actions to resolve the findings and the timeframe in which the corrective actions must be carried out.

The review letter may also include one or more concerns. These are matters that, if not properly addressed, can become a finding and can ultimately result in corrective actions, including repayment of grant funds. Concerns are often used to point out operational or management problems, or patterns of performance that could lead to larger problems later, even if they are not evident at the time of the review. Concerns may require some form of response on the part of the Grantee.

When Grantees receive an official monitoring letter, and if any action of the Grantee is required by HCD, the following procedures will be followed:

- 1) Grantees must respond in writing within 45-60 days to HCD explaining what actions will be taken, how they will be taken, and when they will be taken; and



2) Failure to respond in writing to HCD and/or to take the required corrective actions may result in the Department taking one or more of the following actions:

- Withholding of any further CDBG funds until the proper actions are taken by the Grantee;
- Reduction of the grant amount;
- Recapture of certain CDBG funds;
- Imposing of new grant conditions for further CDBG payments;
- Termination of the grant;
- Prohibition of the Grantee from future participation in the CDBG Program; or
- Litigation/suit.

HCD will inform the Grantee through a formal Clearance Letter if the response is sufficient to clear the findings and will provide any assistance necessary to ensure that the project is completed according to the grant agreement and all state and federal rules and regulations. No project will be closed if there are outstanding findings, including audit issues.

Section 11.5 Subrecipient Monitoring

Many projects or programs will be carried out by a subrecipient. Although the Grantee will contract with the subrecipient to carry out the CDBG activities and pass-through funds, this does not mean that the Grantee can transfer or "assign" its responsibilities as a Grantee. Since the state's contract is with the Grantee, it is the Grantee's performance which the state will monitor. It then becomes the Grantee's responsibility to ensure that its subrecipient is carrying out the project in conformance with the certifications and requirements that it has inherited as a result of receiving CDBG funds. As a result, Grantees need to assure such compliance by undertaking monitoring of all subrecipients.

A subrecipient must be monitored to ensure compliance with all of the requirements outlined in its agreement with the Grantee. A well thought out and clear agreement is essential in avoiding problems. Most agreements are project-specific, with many of the general requirements only referenced. Monitoring is, in effect, a method of determining if the subrecipient is either in default of the agreement or will be in default (if things are allowed to continue).

HCD recommends that the Grantee develop a plan and procedures to monitor subrecipients. Appendix 11-5 provides guidance on how to develop such a monitoring plan and procedures. The subrecipient monitoring process, which is consistent with the monitoring that HCD performs of Grantees, should include the following:

Appendix 11-5:
Subrecipient Monitoring
Plan and Procedures



1. **Monitoring Schedule:** There is no required frequency, except that there must be at least one formal monitoring during the life of the project.
2. **Monitoring Checklist:** This list will vary, depending on the activities to be monitored. See Appendix 11-6 for HCD's example checklist to use in performing monitoring.
3. **Perform Monitoring Visit:** While there is no formal requirement as to how to conduct the monitoring visit, Appendix 11-5 provides suggested steps to set up and undertake the monitoring visit.
4. **Send Formal Monitoring Letter and Follow-Up:** The Grantee should issue a summary of the visit and monitoring process. The Grantee should address any problems or areas of non-compliance with the subrecipient prior to closing out its contract/agreement.

Appendix 11-6: Subrecipient Monitoring Checklist
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