

**Monitoring of CDBG-DR
Subrecipients and Development Activities
City of Lake Charles Department of Community Development
Last Updated December 6, 2023**

1. MONITORING OBJECTIVES OVERVIEW

The City of Lake Charles Department of Community Development is the designated lead City agency and “Responsible Entity” with the U.S. Department of Housing and Urban Development (HUD). The City will coordinate with their internal financial and program auditors to assist and inform the monitoring activities, risks and compliance reporting to HUD and the public.

The Department of Community Development is responsible for coordination, support and regular monitoring of other City agencies and subrecipients carrying out CDBG-DR program activities. The City of Lake Charles Department of Community Development will have in place a compliance officer within the Department that will continuously monitor its CDBG-DR subrecipients and will determine the areas to be monitored, the number of monitoring visits, and their frequency.

A Subrecipient is as defined:

24 CFR 570.500(c):

- Public or private nonprofit agency, authority or organization, or a for-profit entity serving Microenterprises (24 CFR 570.201(o)) receiving CDBG-DR funds from the recipient or another subrecipient to undertake CDBG-DR eligible activities

2 CFR 200.93 & 200.330(a):

- A non-Federal entity that receives a subaward to carry out part of a Federal program

Essential Items that Must be Monitored

- Eligibility of activities and beneficiaries
- National Objectives
- Tie-back to the qualified disaster
- Financial management/procurement
- Cross-cutting Federal requirements (i.e. labor, URA, environmental)
- Prevention of duplication of benefits from FEMA, SBA, insurance, and other sources
- Program policies and procedures (i.e. internal controls and separation of duties)
- Reporting and recordkeeping
- Any additional requirements a grantee places in its own Subrecipient Agreement

All entities administering CDBG-DR funding will be monitored not less than once during the contract period, either on-site or by desk reviews. The monitoring will address program compliance with:

1. Gauge the overall progress and effectiveness of the project implementation.
2. Serve as a management tool to identify issues that may compromise program integrity, funding, and service delivery early so that corrective action and resolution may occur prior to completion of activities, and be prepared for HUD monitoring or federal audits.

3. Serve as a technical assistance tool whereby the Grantee identifies areas in which to strengthen program capacity and quality of service delivery.
4. To determine if a subrecipient is carrying out its community development program, and its individual activities, as described in the application for CDBG-DR assistance and the Subrecipient Agreement, Developer Agreements or Professional Service Contracts.
5. To determine if a subrecipient is carrying out its activities in a timely manner, in accordance with the schedule included in the Agreement.
6. To determine if a subrecipient is charging costs to the project that are eligible under applicable laws and CDBG-DR regulations, and that necessary and reasonableness is documented considering the services or products delivered.
7. To determine if a subrecipient is conducting its activities with adequate control over program and financial performance, and in a way that minimizes opportunities for waste, mismanagement, fraud, and abuse.
8. To assess if the subrecipient has a continuing capacity to carry out the approved project, as well as future grants for which it may apply.
9. To identify potential problem areas and to assist the subrecipient in complying with applicable laws and regulations.
10. To assist subrecipients in resolving compliance problems through discussion, negotiation, and the provision of technical assistance and training.
11. To provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected by subrecipients, and not repeated.
12. To comply with the Federal monitoring requirements of 24 CFR 570.501(b) and with 2 CFR 200.328 and 200.331, as applicable.
13. To determine if any conflicts of interest exist in the operation of the CDBG and CDBG-DR program, per 24 CFR 570.611.
14. To ensure that required records are maintained to demonstrate compliance with applicable regulations.

HUD monitoring checklists for regular CDBG-DR program activities may be adapted and updated as needed to monitor CDBG-DR program activities.

MONITORING COMPLIANCE OFFICER

The Compliance Officer is responsible for ensuring monitoring occurs as outlined within the Plan and coordinating the regular program and project monitoring's. Coordinator tasks may include but are not limited to:

- Ensuring that a risk assessment is executed for all projects (Attach completed Risk Assessment)
- Setting the Monitoring Schedule that prioritizes reviews based on risk assessment (see Table 1)

Ensuring proper documentation in accordance with CDBG-DR regulatory requirements, Subrecipient Grant Agreement, and tracking of all expenditure

Preparing for and documenting monitoring activities and related reports. Documenting corrective action plans, progress, and indication of any patterns of violations.

If the Grantee has engaged an administrative consultant and the Grantee's Monitoring Compliance Officer is the administrative consultant, the Grantee must identify a contract administrator responsible for monitoring the administrative consultant.

List the contract administrator for each administrative consultant procured:

2. PROJECT ADMINISTRATION

The Grantee is administering all projects without an administrative consultant or Subrecipient:

Yes No

If yes, identify the Grantee staff responsible for project administration: _____

The Grantee is utilizing an administrative consultant to administer projects: Yes No

If Yes, list the Administrative Consultant: HGA

The Grantee is utilizing a subrecipient to administer projects: Yes No

If Yes, list the subrecipient: _____

3. MONITORING CHECKLIST

Grantee will use the Monitoring Checklist (Attached) for each of the subrecipients selected.

Monitoring Areas

OHHP will review some or all the areas identified below during the monitoring visit. Review items will vary and may not all apply depending on the activity type, subrecipient project or program requirements. The extent of the review of these areas will vary from one activity to another and may require additional information not summarized below.

- Project Progress based on project timeline and timely expenditure requirements for subsidy allocations
- Compliance with National Objectives
 - Identification of how project qualifies and required documentation retention and reporting under:
 - Low/Moderate Income Persons or Households
 - Area Benefit
 - Limited Clientele
 - Housing
 - Jobs
 - Slum/Blight
 - Area Basis
 - Spot Basis
 - Urban Renewal
 - Urgent Need
- Property use of the identified CDBG-DR Matrix Codes in DRGR
- Financial Management Systems
- Procurement Standards
- Income Verification
- Duplication of benefit processing
- Eligible activities
- Employee Records and Staff Capacity
- Minority and Women-Owned Business
- Section 504/Handicap Accessibility
- Record Keeping Systems

- Property Acquisition/Relocation
- Labor Compliance (Davis-Bacon & Section 3)
- Contract Management
- Individual Beneficiary Documentation and Appeals
- Lobbying/Political Activity
- Professional Services
- Affirmative Marketing and Fair Housing Compliance
- Civil Rights
- State or Independent Audit Results
- Program Policies and Procedures

Documentation

Personal Identifiable Information (PII) is [defined](#) as:

Any representation of information that permits the identity of an individual to whom the information applies to be reasonably inferred by either direct or indirect means. Further, PII is defined as information: (i) that directly identifies an individual (e.g., name, address, social security number or other identifying number or code, telephone number, email address, etc.) or (ii) by which an agency intends to identify specific individuals in conjunction with other data elements, i.e., indirect identification. (These data elements may include a combination of gender, race, birth date, geographic indicator, and other descriptors). Additionally, information permitting the physical or online contacting of a specific individual is the same as personally identifiable information. This information can be maintained in either paper, electronic or other media.

Information for monitoring will be shared and viewed on-site, through electronic information uploaded into a system of record or other secure file sharing process.

Documentation for Meeting the National Objectives –

When a Subrecipient is underwriting projects or directly assisting beneficiaries through one of the ***National Objectives***, they are required to collect and maintain demographic information of clients benefiting from the CDBG-DR funded program. In circumstances by which the demographic information of clients is not supplied, documentation must reflect the attempt to collect the information. As a condition of receiving the HUD grant the OCD/DRU, and in turn the Subrecipient, must certify that low- to-moderate income persons are being served.

Required Documentation includes the following:

- Application for assistance including client name and address;
- Gender;
- Ethnicity/race;
- Head of household status;
- Income; and
- Languages Spoken.

All Subrecipients must attempt to obtain and maintain a signed Demographic Form, as provided in the Appendix. OCD/DRU staff and HUD must also have access to the names and addresses of the clients.

The exceptions to Maintaining Required Income Documentation, income documentation is not required for projects that qualify as a benefit to:

1. Clients of a battered women's shelter; and/or
2. Persons with recognized disabilities.

All other documentation for these two classes is required. This information must be provided to the Community Development Administrator for the Consolidated Annual Performance and Evaluation Report (CAPER), due to HUD on March 31. The information must be submitted to the CD Administrator no later than the mid-February.

LMI Housing, the following records must be maintained for compliance review:

- A written agreement with each landlord or developer receiving CDBG-DR assistance. The agreement must specify:
 - The total number of dwelling units in each multi-unit structure, and
 - The number of those units which will be occupied by LMI households after assistance.
- Total cost of the activity, including both CDBG-DR and non CDBG-DR funds
- The household size and income eligibility for each of the LMI households occupying assisted units
- For rental housing
 - The rent charged (or to be charged) after assistance for each dwelling unit in each assisted structure; and
 - Documentation of compliance with the locally established standards for housing that is “affordable to LMI households”.
- When assisting structures with less than 51 percent LMI occupants, documentation of qualification under the special conditions:
 - Number of units to be occupied by LMI households at an affordable rent;
- When aggregating scattered sites, documentation of the basis for aggregating scattered sites and considering them as a single structure.
- When assisting with the delivery costs of HOME assisted projects and assistance, evidence that housing projects and/or tenant based rental assistance achieves HOME income targeting requirements.

When a Subrecipient is meeting the Urgent Need National Objective, the following criteria and documentation must be contained within the project case file and part of the Subrecipient Agreement as an Exhibit:

- The existing conditions must pose a serious and immediate threat to the health or welfare of the community;
- The existing conditions are of recent origin or recently became urgent (generally, within the past 18 months);
- The grantee is unable to finance the activity on its own; and
- Other sources of funding are not available.
- Total development cost of new construction; and
- Amount of CDBG-DR funds expended for activity.

When a Subrecipient is meeting the Urgent Need National Objective, the following criteria and documentation must include:

Area Basis

- Area designated (i.e., boundaries) and date of designation
- Documentation and description of blighted conditions that meet the criteria identified at 570.208(b)(1)(ii)(A) or (B) (e.g., photographs, structural surveys, or development plans)
- For residential rehabilitation: |
 - Local definition of substandard,

- Pre-rehabilitation inspection report qualifying the building as substandard and work plan describing deficiencies,
- Scope of work performed, by structure, with documentation that substandard elements were addressed first; and
- Evidence that the activities undertaken address one or more of the conditions that contributed to the deterioration of the area.

Spot Blight

Files should include the following:

- Description of condition addressed by activity,
- Documentation of eligibility of activity under this category, and
- For rehabilitation, a description, by structure, of specific conditions detrimental to public health and safety identified and those addressed by the rehabilitation.”

Urban Renewal Area

Records must contain:

- A copy of the Urban Renewal Plan, and
- Documentation that activity was required to meet the goals outlined in the renewal plan.

Urgent Need

Files should include:

- Documentation of urgency of need and timing and that the activity was designed to address the urgent need;
- Evidence the recipient certified that the CDBG-DR activity was designed to address the urgent need; and
- Evidence confirming that other financial resources were unavailable and CDBG-DR had to be used.

Types of Monitoring

Through monitoring, a review of each subrecipient’s ability to meet the CDBG-DR program’s financial, production, and overall management requirements and make necessary determinations or take necessary actions to preserve program integrity will occur. This review should occur early enough in the project life cycle to allow time for technical assistance and/or the resolution of any corrective actions that may be identified. OCD/DRU shall use either Desk Monitoring or On-Site Monitoring as methods for completing monitoring of Subrecipients and based on the initial Risk Assessment for the project.

Desk Monitoring

Desk monitoring is an ongoing process of reviewing subrecipient performance using all available data and documentation in making assessments of subrecipient performance and compliance with CDBG-DR requirements. This process takes place within OCD/DRU and does not generally involve subrecipient participation beyond submission of requested information. At least one onsite review should be conducted of all projects prior to closeout. The following are among the sources of information that may be used in making determinations during the desk monitoring process:

- Requests for reimbursement and accompanying source documents;
- Audit reports;

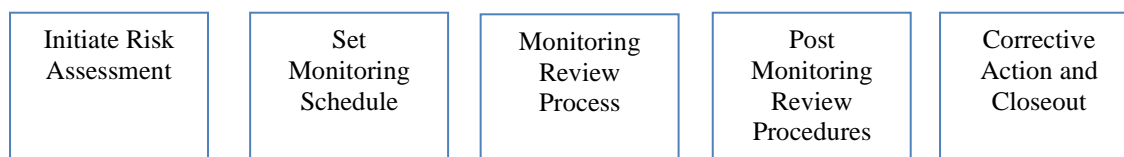
- Staff reports from prior monitoring visits;
- Client/citizen comments and complaints;
- Information provided by other federal, state, county, and local agencies;
- Subrecipient responses to monitoring and/or audit findings;
- Original grant application;
- Subrecipient Agreement (as amended);
- Quarterly progress reports; and
- Litigation (as applicable).

A desk review should be performed for each administrative consultant and/or Subrecipient soon after the binding agreement has been executed to verify initial performance and identify any technical assistance needs. Additional reviews may be performed to monitor consultants, Subrecipients, and/or projects as necessary.

On-Site Monitoring

In addition to the desk monitoring process, the program staff will conduct at least one on-site monitoring of each CDBG-DR activity per year. Activities considered to be high risk will receive on-site monitoring first to deal with any potential areas of noncompliance and provide the subrecipient with any technical assistance necessary to ensure compliance with CDBG-DR requirements. Medium and low risk activities will receive on-site monitoring visits soon after all high-risk activities have been monitored. Medium risk activities will receive monitoring priority over low-risk activities. The program staff will notify subrecipients by email of the time and date for their scheduled on-site monitoring visit. Notification will be provided approximately two weeks prior to the scheduled visit and will include identification of the areas to be monitored, any documentation to be made available and key staff that may need to be present.

Monitoring Process



Risk Assessment and Monitoring Schedule

Risk assessment results are used to determine the timing, frequency, and priority of monitoring reviews when there are more than one Subrecipients, programs, or projects. Risk level is gauged on a scale of low, medium, and high. Higher risk Subrecipients such as those with outstanding or recent HUD monitoring concerns, audit findings or slow spending patterns, should be subject to more frequent monitoring.

At times, it may be necessary to collect information from the Subrecipient to complete the CDBG-DR Subrecipient Risk Assessment Form, which should be done in writing. Written communications must be retained for the project file.

CDBG-DR Subrecipient Risk Assessment					
Factor	Subfactor	Criteria	Risk Level (Circle One)		
Level of funding	Amount of funds	<input type="checkbox"/> >\$1,000,000	High	Med	Low
		<input type="checkbox"/> \$500,000-			

		\$999,999			
		<input type="checkbox"/> \$100,000-\$499,999			
		<input type="checkbox"/> Under \$100,000			
Capacity of Funding Subrecipient	Experience of Subrecipient with federal awards	Never undertaken project before	High	Med	Low
		Never undertaken project before, but have capacity			
		Undertaken project before and have capacity			
	Low productivity or unusually high spending	Yes	High	Med	Low
		No			
	Lack of progress spending funds	Yes	High	Med	Low
No					
Staff Capacity	Staff turnover	Yes	High	Med	Low
		No			
	Inexperienced staff	Yes	High	Med	Low
		No			
	Change in program leadership	Yes	High	Med	Low
		No			
	New or substantially changed systems	Yes	High	Med	Low
		No			
Quality of Reporting and Documentation	Project reports on time and accurate	Yes	High	Med	Low
		No			
	Audit finds or no audit done	Yes	High	Med	Low
		No			
	Low quality documentation	Yes	High	Med	Low
		No			
	Failure to meet schedules	Yes	High	Med	Low
		No			
	Failure to comply with written agreement	Yes	High	Med	Low
		No			
Past Performance Problems	Not monitored last year	Yes	High	Med	Low
		No			
	Recurring	Yes	High	Med	Low

	monitoring findings either by Federal agencies or the City	No			
	Inability to clear up outstanding issues/ compliance violations	Yes	High	Med	Low
		No			
	Letters of complaint from beneficiaries or investigations	Yes	High	Med	Low
		No			
	Poor performance/compliance in other programs or projects	Yes	High	Med	Low
		No			
Subtotal			High	Med	Low
Total Risk Assessment					

Upon completion of the Risk Assessment per Subrecipient and per project, the following basic steps to the formal monitoring visit shall include:

1. 15-day written notification in advance of the monitoring visit or desk review – Explains the purpose of the visit, confirms date, scope of monitoring and outlines the information that will be needed for the review.
2. Entrance Conference – Introduces monitoring visit purpose, scope and schedule.
3. Documentation and Data Gathering – The OCD/DRU will review and collect data as requested in the 15-day notification and document conversations held with staff, which will serve as the basis for conclusions drawn from the visit. This includes reviewing client files, financial records, and agency procedures.
4. Exit Conference – At the end of the visit the OCD/DRU will meet again with the key agency representatives to present preliminary results, provide an opportunity for the agency to correct misconceptions and report any corrective actions already in the works.
5. Follow-Up Letter within 30 days of the Exit Conference – The OCD/DRU will forward a formal written notification of the results of the monitoring visit pointing out problem areas and recognizing successes. The agency will be required to respond within 30 days in writing if any problems or concerns are noted or if documentation requests are made.

Monitoring Review

OCD/DRU shall use the HUD Monitoring Checklists as applicable to the program and National Objective:
https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2

The file reviews should be conducted with two goals in mind:

1. to ensure that program/project is compliant with federal, state, and local requirements; and
2. to ensure that the funded entity's documentation of compliance is sufficient.

Staff should take good notes during the file review and begin to form a preliminary assessment of findings. Notes will form the basis of the monitoring letter. If the initial sampling of files identifies a potential compliance or performance problem, the following steps should be taken:

- Review a larger sample of files to determine if the problem is widespread;
 - Interview program/project staff about the specific issue uncovered to determine if the monitor is missing information;
 - Conduct onsite inspection of units, if applicable; and
 - Interview residents/beneficiaries, if available.
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Post Monitoring Review Procedures

Analyze Results of the Review:

Upon returning to the office, OCD/DRU personnel should:

1. Discuss any issues or concerns with appropriate staff,
2. Research any regulatory requirements where there might be a concern about compliance; and
3. Identify what corrective actions were used if other organizations had similar problems or concerns, to ensure consistency among all funded entities.

Use HUD's framework for analyzing monitoring results. HUD uses three categories to analyze results of monitoring reviews:

- Findings: areas of statutory or regulatory noncompliance that must be addressed immediately. Findings always require corrective actions.
- Concerns: issues that are not instances of statutory or regulatory noncompliance but may result in noncompliance if they are not addressed. Examples include:
 - Operating procedures are not in place;
 - Staff unsure about requirements; and/or
 - Files are in disarray.
- Observations: comments about areas where funded entity can improve program performance.

Identify areas where funded entity demonstrates strong performance and good management and compliance. Positive feedback encourages continued quality performance.

Determine Appropriate Corrective Actions:

Corrective actions are the steps that must be taken to correct instances of noncompliance, poor management, or poor performance identified during monitoring. The monitor must specify corrective actions for violations of statutes and regulations. The monitor may also direct the funded entity to take corrective actions for other deficiencies. Set a realistic timeframe to correct each situation and be sure to document that timeframe in writing to the Subrecipient in accordance with the appropriate corrective action as identified below in the matrix of corrective actions.

RISK LEVEL	TYPE OF RESPONSE	POSSIBLE CORRECTIVE ACTIONS
Low	Desk Review, Onsite Review	<ul style="list-style-type: none">• Offer training or technical assistance• Divide expected outputs and/or outcomes into weekly or monthly benchmarks, if deemed helpful
Medium	Increase number of Monitoring Visits	<ul style="list-style-type: none">• Withhold payments until compliance is achieved• Mandate training or technical assistance• Increase reporting requirements• More frequent monitoring
Serious	Sanctions	<ul style="list-style-type: none">• Suspend funds until the issues are cleared• Do not allow entity additional funds• Terminate the contract• Seek further sanctions if fraud, waste, or abuse is suspected• Legal referral in order to recoup funds distributed

After the initial review, additional program/project monitoring (onsite or desk) should be conducted for all active programs/projects through closeout. OCD/DRU may need to follow-up with additional correspondence, and/or meetings to clear corrective actions. Once a subrecipients response to the monitoring report has been received, the monitor reviews the response and determines if the funded entity has successfully completed its required corrective actions. This should happen within 15 days of receiving the response.

If the follow-up response is not satisfactory, follow-up correspondence should be sent to the subrecipient which specifies additional actions that are required and the date for completing those actions. This correspondence should be generated within 15 days of determining that the subrecipient did not complete its required corrective actions. If the subrecipient does not meet the due date for the corrective action, the monitor should contact the subrecipient, documenting this correspondence. In this follow-up, the monitor should try and identify the cause of the delay in responding, provide any assistance that might be needed to correct the finding(s), identify a new due date if appropriate, and express concern about the subrecipient’s failure to respond. The monitor may choose to send a follow-up letter to document this conversation, restating the actions that are required, the date for completing the actions, and the consequences of continued unsatisfactory efforts to correct the problems.

Based on the number of issues identified during the initial visit, the monitor may wish to conduct an additional onsite visit to verify the completion of corrective actions or the implementation of new procedures. Once personnel determine that the organization has successfully completed all required corrective actions, a close-out letter should be issued to the funded entity that documents the monitoring findings have been corrected. A copy of the close out letter must be placed in the monitoring file for that entity.

Sample Monitoring Schedule

Review #	Entity/Project to	RA Results	Monitoring Review Date	Desk or Onsite?	Monitor	Comments
1	Subrecipie	N/A	10/1/23	Desk		
2	Consultant	N/A	11/1/23	Desk		Ongoing Monitoring Process
3	Project D	High	12/1/23	Onsite		
4	Project A	High	2/1/24	Onsite		
5	Project E	Low	4/1/24	Onsite		
6	Project B	Medium	6/1/24	Onsite		
7	Project C	Low	8/1/24	Onsite		
8	Project D	High	10/1/24	Desk		
9	Project A	High	12/1/24	Desk		
10	Project B	Medium	1/15/25	Desk		
12	Project C	Low	4/15/25	Desk		

RESOURCES

- HUD Exchange CDBG-DR page:
 - <https://www.hudexchange.info/programs/cdbg-dr/>
- HUD Exchange CDBG-MIT page:
 - <https://www.hudexchange.info/programs/cdbg-mit/>
- 24 CFR 570:
 - http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570_main_02.tpl
- HUD CPD Monitoring Handbook:
 - https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6_509.2
- DR Toolkits:
 - <https://www.hudexchange.info/programs/cdbg-dr/toolkits/>
- OIG Integrity Bulletin Summer 2016:
 - <https://www.hudexchange.info/resources/documents/HUD-Integrity-Bulletin-Subrecipient-Oversight-Monitoring.pdf>
- A Guidebook for Grantees on Subrecipient Oversight:
 - https://portal.hud.gov/hudportal/documents/huddoc?id=DOC_17086.pdf
- Managing and Monitoring Subrecipients - 2020 CDBG-DR and CDBG-MIT Webinar Series:
 - [Managing and Monitoring Subrecipients for CDBG-DR and CDBG-MIT Grantees Webinar - HUD Exchange](#)
- Basically CDBG
- 2016 CDBG-DR: Subrecipient Management and Record Keeping Webinar
 - <https://www.hudexchange.info/trainings/courses/2016-cdbg-dr-subrecipient-management-and-recordkeeping-webinar/>
- Buying Right CDBG-DR and Procurement: A Guide to Recovery
 - <https://www.hudexchange.info/resource/5614/buying-right-cdbg-dr-and-procurement-a-guide-to-recovery/>