

# Monitoring

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# Monitoring

## Overview

Monitoring is a mechanism to ensure compliance. It is essential that subrecipients have a clear and common understanding of the monitoring process and procedures. This section provides information on the scope and frequency of monitoring, the roles of the monitoring staff, and the key steps involved in the monitoring process. Subrecipients may also request technical assistance from DCA at any time.

DCA is required by Title 1 of the Housing and Community Development Act of 1974, as amended, and [24 CFR 570.492](#) to make reviews and audits, including on-site reviews of CDBG-DR subrecipients as may be necessary or appropriate to meet the requirements of section 104(e)(2) of the Act. Oversight will involve broad ongoing reviews, while monitoring will focus on administration, financial management, performance, reporting, and compliance with applicable federal cross-cutting requirements. The objective of the oversight and monitoring activities is to facilitate the achievement of performance goals while ensuring that subrecipient funds are used for authorized purposes in compliance with the federal statutes, regulations, and the terms and conditions of the subaward.

## Subrecipient Compliance Plan

Subrecipients are responsible for the overall performance and compliance of their grants. To provide a framework for ensuring successful project completion, subrecipients must document their oversight and compliance procedures in a comprehensive Compliance Plan for overseeing contractors and any partners in receipt of CDBG-DR funds. The Plan must provide a description of how the subrecipient will monitor contractors or partners to ensure compliance with applicable requirements of State and federal laws and CDBG-DR requirements. It should also describe the schedule and manner by which monitoring will occur. In coordination with the DCA, subrecipients should determine what monitoring needs exist and target highest risk areas and describe this in the Plan. Examples of topic to include in the Compliance Plan include the following:

- Necessary and reasonable expenditures;
- Procurement;
- Prevention of Duplication of Benefits;
- Performance and schedule tracking and reporting;
- Adequate financial management systems;
- Compliance with environmental rules, regulations, and any requirements resulting from the environmental review;
- Process for debarment verifications for subcontractors;
- Process for verification of Section 3 status, Davis Bacon Compliance and other labor standards and the required recordkeeping; and
- Proper documentation and recordkeeping.

Additional guidance on monitoring protocols can be found in HUD's [Guidebook for Grantees on Subrecipient Oversight, Chapter 5: Monitoring Strategies and Procedures](#). Further examples of monitoring checklists can be found in HUD's [Monitoring Handbook](#) website.

### Monitoring Types

Outside of ongoing monitoring and quality assurance practices, DRM will generally perform the following types of monitoring processes:

- **Fiscal Reviews:** Fiscal reviews assess whether the recipient's financial management aligns with the approved budget and complies with applicable federal cost principles. These reviews also evaluate whether expenditures drawn from grant funds are properly documented and reflect the intended use. Additionally, fiscal reviews examine internal controls, accounting systems, procurement procedures, inventory tracking, audit resolution processes, and record retention practices to support sound fiscal oversight.
- **Programmatic/Performance Reviews:** Programmatic reviews assess whether the recipient is effectively implementing the program in accordance with the goals and requirements outlined in the agreement with DCA. These reviews involve analysis of quarterly progress reports to determine if program objectives are being met and to evaluate the alignment between reported activities and grant expenditures. Applicable policies and procedures are also reviewed to ensure programmatic compliance.
- **Environmental Reviews:** Environmental reviews assess whether the recipient is complying with all applicable environmental laws, regulations, and Executive Orders. These reviews ensure that necessary permits and exemptions are obtained, and that the recipient has effective environmental management systems, policies, and procedures in place.
- **Focused Reviews:** Focused reviews may involve further inquiry, including more in-depth and a greater number of monitoring questions that are grounded in grant regulations, Uniform Guidance, and best practices rooted in experience. Construction activities, for example, would require this type of review.
- **Overall Management Reviews:** Overall management reviews assess all aspects of a recipient's grant administration, including strategic direction, financial oversight, programmatic performance, and environmental compliance. These comprehensive evaluations are designed to ensure that the recipient maintains effective systems and practices across all areas of grant management.

At least 2 weeks prior to a monitoring review, written notification will be provided to the subrecipient or the contracted vendor about the type of review that will be conducted.

### The Monitoring Process

The DCA will formally notify subrecipients of monitoring events. In response to subrecipient monitoring, DCA may provide technical assistance to mitigate identified risks and to address concerns and findings. Monitoring will be conducted based on a risk assessment, which includes, but is not limited to, factors such as the level of expenditures, program progress, the number of beneficiaries, experience managing like programs, and policy changes. Subrecipients will be monitored at least once during the life of the activity. Results will be reported to the

Deputy Commissioner of DRM. Subrecipients are responsible for maintaining documentation that demonstrates compliance with program policy and the terms of their agreement, as well as applicable federal and state laws and regulations.

The monitoring review may be a comprehensive evaluation of all aspects of the program or project for all compliance aspects, or it may be oriented toward assessing compliance in a specific area(s). The reviews may be conducted remotely or on-site. The location of the monitoring will depend upon which compliance areas need to be reviewed. Monitoring also provides an opportunity for subrecipients to seek technical assistance in areas of concern or confusion.

Subrecipients must cooperate fully with the DCA, HUD, or the HUD Office of the Inspector General (OIG) monitors/auditors and assist them by providing all necessary access to databases and documents requested. Subrecipients should inform DCA of any issues that arise and work collectively towards timely and appropriate resolutions. See the program's policy for more information.

### Scheduling the Monitoring

The DCA staff will provide written notification at least two (2) weeks in advance of the scheduled monitoring. The notification will include the monitoring start date, entrance conference date and time, the type and method of monitoring to be conducted, and the overall monitoring schedule. It will also outline the focus areas of the review and list the names and titles of the individuals conducting the monitoring.

### Entrance Meeting/Interview

Next, DCA staff will conduct the Entrance Meeting. Subrecipients should be prepared to provide an overview of the project, its status, and any issues before the beginning of the reviews. The DCA 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

The DCA staff will review the files using appropriate checklists 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.

Good recordkeeping is critical to an efficient and effective monitoring.

- Subrecipient files pertaining to the CDBG-DR project must be orderly and complete.
- If files are maintained by or located in another office, such as an engineer or clerk, these files should be available for review.

If areas discovered during the review indicate noncompliance with the laws, regulations, or other requirements, this may result in a **"finding."** A finding is a deficiency in program performance based on material noncompliance with the provisions of federal statutes, regulations, or the terms and conditions of federal awards related to a major program; significant deficiencies and material weaknesses in internal control over major programs and significant instances of waste, mismanagement, fraud, and abuse relating to major programs.

A finding of non-compliance must be remedied. A finding can result in a sanction if corrective action is not taken in a specified manner and/or timeframe. For each finding, DCA must indicate a corrective action, either to correct a past problem or to avoid a future problem, which must be taken by the subrecipient. A deficiency in program performance that does not violate a statutory, regulatory, or program requirement is classified as a “**concern**.” While corrective action is not strictly required for concerns, DCA may suggest improvements. Findings requiring corrective action will be detailed in the Monitoring Report provided by DCA (discussed further below).

**Most of the previous chapters include a brief section on monitoring and recordkeeping as it relates to each topic. Refer to those sections for details on what to expect from monitoring and which files to have on hand for the review.**

### Exit Meeting/Interview

At the conclusion of the review, DCA staff may conduct an exit interview with the subrecipient if requested or appropriate. The meeting may provide a tentative summary of the results of the review. If problems are apparent, including any findings or concerns, the subrecipient has the opportunity to provide more information or clarification.

The DCA reviewer will also indicate the timeframe in which a Monitoring Report will be sent, the process for requiring the subrecipient to address any findings, and the consequences for not addressing compliance issues promptly. Finally, the DCA reviewer will discuss any related technical assistance.

### Monitoring Report and Follow-Up Actions

The subrecipient will receive a formal Monitoring Report giving the results of the review. This report will generally be shared within thirty (30) days of the monitoring review's conclusion; however, a longer time frame may be appropriate based on workload and the complexity of the issues.

One or more conclusions may result from a monitoring review that indicate the following, as detailed in the Monitoring Report:

- The performance complied with the requirements of the program.
- There are findings that require corrective actions by the subrecipient.
- There are concerns about the performance of the projects or activities.
- There are observations for efficiencies or items of note.
- Technical assistance is necessary.

It shall be the responsibility of the subrecipient to remedy any instances of non-compliance or deficiencies that result from the Monitoring Report.

The report may also include one or more observations. These are matters that, if not properly addressed, can become a finding and can ultimately result in sanctions. Observations 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. Observations often result in recommendations for improvement and may require some form of response from the subrecipient.

The subrecipient must respond in writing within thirty (30) days to any findings and concerns listed in the Monitoring Report.

- The subrecipient will describe all corrective actions taken or provide new information not reviewed during the visit. The corrective actions must be consistent with the recommendations made by DCA in the monitoring letter.
- The subrecipient must certify that all regulations will be observed in future transactions and provide written assurance that no adverse effects occurred to the project for failure to observe said regulations.

If issues are not resolved, DCA may, as outlined in the applicable CDBG regulations, impose a progressive level of sanctions that include:

- Additional reporting,
- Suspension of funding,
- Additional special conditions,
- Return of disallowed expenditures,
- Termination of the grant, and/or
- Legal action.

DCA will inform the subrecipient if the response is sufficient to clear the findings. DCA will provide any assistance necessary during the review or after any findings or concerns are made to ensure 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. Refer to the Project Closeout Chapter for more information.