Subrecipient Risk Assessment Webinar

California Housing & Community Development (HCD)

2021
Welcome

• Webinar designed to permit interaction between HCD and Subrecipients
• Post questions in Chat box (HCD will try to answer immediately and pause to take questions on 3 occasions)
• Otherwise, participants will be in ‘listen only’ mode
• For technical issues, you may also request assistance in the Chat box
• This session will be recorded, and materials will be posted to the HCD website
Agenda

• Introduction
• Purpose
• Risk Assessment
• Managing Risk
• Expectations *
• Systems Walkthrough *
• Next Steps *
• Resources

* Selected questions (not answered in chat) will be taken after each of these sections.
Introduction
Key Personnel

HCD
- Amanda Ohman
- Samina Akhtar
- Michelle Chand
- Marcia Flores
- Erin Ortiz

Civix
- Adrienne Duncan
- Randall Mullen
- Jared Lee
- Patty Weisner
- Angela Traill
- Patrick Roberts
- Liz Melendez
- Philip Betito

eCivis
- Ryan Baird
- Jay De La Rosa
Purpose
Identifying & Mitigating Risk through Technical Assistance & Monitoring

The Risk Assessment will determine:

- Subrecipient’s Risk Areas
- Severity of Risk (Risk Score)
- Technical Assistance
- Monitoring Type
- Frequency (Quarterly, Semi-Annually, Annually)
Due Diligence vs. Risk Assessment

- **Due Diligence**: determines the subrecipient’s capacity to implement the program/ability to roll out the program as they receive their allocations (One-Time Occurrence).

- **Risk Assessment**: determines areas of concern/deficiencies in order to anticipate compliance issues (Ongoing).
Roles & Responsibilities

• HCD’s roles and responsibilities related to the risk assessment are to:
  – Perform Due Diligence Reviews (Program Staff)
  – Conduct Risk Assessment (Monitoring Staff)
  – Provide Technical Assistance (Program/Monitoring)
  – Conduct Monitoring (Monitoring Staff)
Roles & Responsibilities (cont’d)

• Subrecipient’s roles and responsibilities related to the risk assessment are to:
  – Adhere to HCD Monitoring Plan
  – Complete Risk Assessment Questionnaire
  – Provide organizational and program information needed to complete the Risk Assessment
  – Address findings and concerns on a timely basis

- Finding is defined as a deficiency for which there is clear non-compliance with a statutory, regulatory, DR, or MIT requirement; whereas, a concern is an area of noncompliance that is not a clear violation of those specific requirements, but a condition that could lead to future findings, if not corrected.
Working Together

• Document submission/review is a collaborative effort
• Assessment enables Subrecipient and HCD to identify risks and strategically provide required:
  – Support;
  – Oversight; and
  – Monitoring

- The subrecipient relationship requires each awarded jurisdiction to conform to Uniform Administrative Requirements 2 CFR 200.303 and 200.328 to compliantly manage CDBG-DR and CDBG-MIT funds
Risk Assessment
Key Risk Components

- Staff Capacity & Relevant Experience
- Program Design & Complexity
- Program Implementation
- Compliance History
Objective of Risk Assessment

• On-going process – **not** a one-time occurrence – to ensure subrecipients have continued capacity in managing programs to meet compliance standards.

• Assist Compliance team in determining best methods to resolve or reduce risk.
  – Determines Monitoring Schedule
  – Determines Technical Assistance and/or Training activities administered by Compliance

• Tool/method subrecipients can utilize to build capacity.
## Risk Ratings

<table>
<thead>
<tr>
<th>Risk Criteria</th>
<th>Description</th>
<th>Low Risk</th>
<th>Medium Risk</th>
<th>High Risk</th>
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| **Staff Capacity and Relevant Experience** | - Subrecipient’s current staff capacity.  
- Ability to ensure CDBG-DR programmatic and regulatory compliance.  
- CDBG-DR grant administration experience. | - No turnover.  
- Sufficient staff capacity and program knowledge for program complexity.  
- 2+ years’ CDBG-DR administration experience. | - Past (within 1 year) turnover of key personnel.  
- Strained staff capacity and programmatic knowledge.  
- 1 to 2 years’ CDBG-DR administration experience. | - Recent (within 6 months) turnover of key personnel.  
- Inadequate staff capacity and programmatic knowledge.  
- Less than 1 year CDBG-DR administration experience. |
| **Program Design and Complexity** | - Type of activities.  
- Intake and selection process complexity.  
- Level of cross-cutting requirements.  
- Total funds allocated to the subrecipient (all programs). | - 1 activity type.  
- Manageable intake system.  
- Little or no applicable cross-cutting requirements.  
- Less than $1,000,000. | - 2 – 3 activity types.  
- Intake system that may strain resources.  
- Some cross-cutting requirements apply.  
- $1,000,000 - $5,000,000. | - 4+ activity types.  
- Highly complex intake system.  
- Many cross-cutting requirements apply.  
- More than $5,000,000. |
| **Program Implementation** | - Level of program management by the subrecipient.  
- Timeline for program completion. | - Direct implementation or carry-out grants only.  
- Over 24 months timeline for program completion. | - Direct implementation and pass-through grants.  
- 12-24 months timeline for program completion. | - Pass-through grants only.  
- Under 12 months timeline for program completion. |
| **Compliance History** | - Subrecipient’s past compliance with federally funded programs. | - Evidence of prior monitoring, with no or less than two findings or concerns noted. | - Evidence of prior monitoring, with two or more findings or concerns noted but not severe. | - No past monitoring.  
- If monitored, multiple, severe findings and concerns were revealed. |
Scoring: Individual vs. Overall

Individualized Assessment
* Evaluation of Programmatic Risk Factor
* Determine Individual Subrecipient Risk Level

Focus on High Risk Areas

Overall Assessment
* Evaluate ALL Subrecipient’s Programmatic Risk Areas
* Evaluation of Cohort of Subrecipients
Managing Risk
Monitoring

Monitoring is an ongoing process that provides information about program participants that is critical for making informed judgements about program effectiveness and management efficiency.
Desk Monitoring vs. Onsite Monitoring

**Desk Monitoring:**
- Intended for lower risk subrecipients
- Limited documentation requirements
- Focused on specific area
- Conducted at HCD regardless of Subrecipient location
- Could result in an Onsite Monitoring

**Onsite Monitoring:**
- Intended for higher risk subrecipients
- Conducted at the Subrecipient’s location
- Focused on the multiple programmatic areas
- HCD may determine that technical Assistance is required as a result Onsite Monitoring
Technical Assistance

TA Objectives:
• Address areas of concern
• Improve performance
• Develop/increase capacity
• Augment management
• Develop corrective action plans

TA Types:
• Verbal/Written Guidance
• Formal Training
• Observation of Subrecipient Activities
Technical Assistance Triggers

Risk Assessment:
• Subrecipient rates – overall – risk level of medium high to high
• Subrecipient rates medium-high to high in specific area(s)

Subrecipient Request:
• Subrecipient contacts program or compliance staff and requests guidance/training in an area of self-identified weakness

Onsite Observation:
• Monitoring Staff identifies areas where the subrecipient has a minor misconception and/or misstep in performing a specific action which may lead to larger problems if not corrected.
Monitoring Schedule TA Flowchart

- **Subrecipient**: Receives TA/Training provided by either HCDRII Program or HCDRII (Compliance)
- **HCDRII (Compliance Monitor)**: Collects Support Documentation from TA/Training
- **SSM (Compliance Manager)**: Provides HCD Management with Status Report
- **Grants Network (Upload required support documentation)**: Creates TA or Training Material for subrecipient TA/Training
Subrecipient Request TA Flow Chart

1. **Reaches out to Program Staff**
   - Notifies SSMI (Compliance Manager) of TA or Training Request

2. **Discuss needs and resources for the TA or Training to be provided**

3. **Program Compliance Related?**
   - YES: Amends Monitoring Schedule to reflect TA/Training to be provided
   - NO: Contacts the subrecipient and coordinates TA or Training

4. **Disseminates updated Monitoring Schedule**
On-Site Monitoring TA

Onsite Monitoring

• Intended for higher risk Subrecipients
• HCD and Subrecipient to convene
• Subrecipient required to respond w/ corrective action plan
• HCD may determine that Technical Assistance is required, as a result of Onsite Monitoring, and deliver the TA afterwards.

Onsite Observation:

• Monitoring Staff identifies and immediately addressed minor misconception and/or misstep in performing a specific action which may lead to larger problems if not corrected.
On-Site Monitoring TA Flow Chart

1. HCDRII (Compliance Monitor) conducts On-Site Monitoring Visit.
2. Identifies Minor Issue/Misunderstanding.
3. Subrecipient receives Technical Assistance During Exit Conference.
Expectations
Subrecipient:

- Cooperate with HCD in the conduct of this assessment (questionnaire, document requests)
- Comply with resulting actions (TA and/or monitoring)

HCD:

- Address risk as it arises with TA and/or monitoring
- Maintain open communication
Questions?
Systems Walkthrough and Recap
Questions?
Recap on Questionnaire

• **Step #1**: Subrecipient receives a notification from HCD Monitoring staff to complete the questionnaire (along with an additional instructions).

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From: HCD Monitoring and Compliance  
Sent: Wednesday, April 21, 2021 9:48 AM  
To:  
Cc:  
Subject: Subrecipient Risk Assessment Questionnaire

Good Morning,

The subrecipient risk assessment questionnaire workspace is now open and available for your initial input. You can access the risk assessment workspace by clicking on this link, which will allow you to follow prompts to create a new questionnaire. Once a new questionnaire is started, HCD Monitoring and Compliance staff will begin uploading documentation and information into the questionnaire which it has reviewed from the program team as part of its due diligence review and/or any other documentation for which you have shared with them at this point.

Once HCD Monitoring and Compliance confirms that all previously provided documentation has been placed into the questionnaire, please have the questionnaire submitted back to HCD within two weeks.

Please let us know if you have any additional questions or need additional information.

Thank you,

HCD Compliance and Monitoring Staff
Recap on Questionnaire (cont’d)

- **Step #2:** Subrecipient clicks link for redirection to the Grants Network site to complete the assessment – click “Apply.”
Recap on Questionnaire (cont’d)

- **Step #3**: Subrecipient will log into the Grants Network portal and will be directed to a Risk Assessment page – click “Create New Application.”
Recap on Questionnaire (cont’d)

- **Step #4**: The screen will prompt the subrecipient to click “Get Started” – the risk assessment questionnaire will then appear on screen for completion.
Next Steps
• Look for email notification with “link’ from HCD
• Two-week timeframe for Subrecipient to respond
• HCD will help Subrecipient:
  – Avoid duplicate requests and
  – Provide timely response to Subrecipient
• When programs are implemented, Subrecipient will:
  – Receive appropriate technical assistance, if necessary, and
  – Be expected to cooperate in monitoring event(s)
• HCD/Subrecipient will collaborate on devising and implementing any required action(s)
Questions?
Resources

Disaster Recovery - CDBG-DR Programs for 2017 and 2018 Disasters
(from HCD Website)
- 17 DR, 17 MIT and 18 DR Action Plans
- Related Information, including Federal Register Notices
- Program Descriptions, such as, MHP, INF, and RIP

HCD Monitoring Plan (December 9, 2020)

e-CFR (Electronic Code of Federal Regulations)

Frequently Asked Questions (FAQ) ★COMING SOON★
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