



State of California
Department of Housing and Community
Development

Community Development Block Grant
National Disaster Resilience

Monitoring Plan

Updated: May 13, 2019

Contents

I. Purpose.....	- 1 -
A. Roles/Responsibilities	- 1 -
1. HCD Personnel.....	- 1 -
2. HCD Responsibilities	- 2 -
3. Grantee Personnel.....	- 2 -
4. Grantee Responsibilities	- 2 -
II. Annual Monitoring Assessment and Strategy	- 2 -
A. Assessment Process.....	- 2 -
B. Annual Strategy.....	- 3 -
III. Desk Review	- 3 -
A. Pre-Monitoring Preparation	- 4 -
B. Monitoring Notification Letter.....	- 4 -
C. Monitoring Process	- 4 -
1. Findings	- 5 -
2. Concerns	- 5 -
3. No findings or concerns	- 5 -
D. Monitoring Results	- 6 -
1. Corrective Action Plans.....	- 6 -
2. Addressing Concerns.....	- 7 -
2. Sanctions	- 7 -
3. Technical assistance.....	- 7 -
4. Monitoring Clearance.....	- 7 -
IV. On-Site Monitoring	- 8 -
A. Entrance Conference	- 8 -
B. Monitoring Process	- 8 -
1. On-Site Project Inspections	- 9 -
C. Exit Conference.....	- 9 -
D. Monitoring Results and Clearance	- 9 -
V. Monitoring Activities	- 9 -
A. Program Progress	- 10 -
B. Program Benefit	- 10 -
C. Environmental Review.....	- 10 -

D. Procurement..... - 10 -
E. Labor Standards..... - 10 -
F. Property Acquisition, Relocation and Displacement - 11 -
G. Public Improvements, Public Services and Public Facilities - 11 -
H. Equal Opportunity and Fair Housing - 11 -
I. Financial Management..... - 11 -
J. Program Income..... - 12 -
K. Certifications - 12 -
L. Program Management..... - 12 -

I. Purpose

This Monitoring Plan defines HCD's responsibilities and procedures for monitoring its grantees. Monitoring is an integral management control technique and is an ongoing process that assesses quality of performance over time. Monitoring provides information about program participants that is critical for making informed judgements about program effectiveness and management efficiency. It also helps in identifying instances of fraud, waste, and abuse.

This plan does not describe HCD internal monitoring system. HCD has established its own internal auditing process using the HCD Audit Division staff. HCD Audit Staff provide ongoing reviews of CDBG-NDR processes and meeting compliance standards. As HCD Audit staff conduct their monthly reviews, the Grant Manager meets with them and responds to any audit issues that they identify. Audit staff track issues until they are resolved. At the end of each calendar year, the Audit staff prepare a formal report on CDBG-NDR audit issues and compliance standards for HCD Executive staff review. This ongoing internal HCD Audit process ensures that the federal and state compliance standards are met and that Grant Management staff follow standard operating procedures for grant implementation.

HCD has established the monitoring plan as a part of its internal controls in conformance with 2 CFR 200.303 and monitoring and reporting program performance requirements as set forth in 2 CFR 200.328-332. These requirements include evaluation and monitoring compliance with federal statutes, regulations, and the terms and conditions of federal awards. All grantees will be monitored per this Plan. Most grantees will be monitored multiple times over the course of their agreement, depending on complexity of their activities and implementation timeline.

HCD monitors grantees in accordance with 2 CFR 200.331(d). Specific monitoring criteria include the following items, although specific items monitored are dependent on the grantee and the project or program subject to monitoring:

- Reviewing financial data and performance reports required by the grantee;
- Following-up and ensuring that the grantee takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, desk reviews, and other means; and
- Issuing management decisions for findings or concerns pertaining to the NDR grant.

A. Roles/Responsibilities

1. HCD Personnel

Monitoring is the responsibility of HCD's NDR Grant Manager ("Grant Manager" or "GM"). Monitoring assistance may be provided to the GM by other HCD staff, including Audit Division staff, as needed basis. HCD staff monitor grantees on a periodic basis each calendar year based on an annual monitoring assessment. HCD will also use the services of a technical assistance consultant to support monitoring efforts.

2. HCD Responsibilities

As the lead agency for implementing the State of California's NDR grant, HCD leads all monitoring efforts. Using documents and reports submitted by its grantees, the Grant Manager inspects and monitors grant activities to determine compliance with federal and state laws, regulations, rules, and guidelines relative to the use of CDBG-NDR grant funds. The Grant Manager ensures that grantees comply with regulations governing administrative, financial, and programmatic operations, and that they achieve performance objectives on time and within budget.

3. Grantee Personnel

The grantee personnel listed in the Standard Agreement (SA) is the point of contact for day to day grant administration and for coordination on monitoring efforts. The grantee staff organizes grant files in preparation for the monitoring and provides documentation requested from HCD staff for desk monitoring or during on-site reviews. Grantee staff must have a significant understanding of CDBG-NDR requirements and objectives and be familiar and knowledgeable regarding NDR projects and the grantees role in the NDR program.

4. Grantee Responsibilities

Grantees are responsible for administration of NDR grant activities described in the SA scope of work. Some grantees have multiple activities and some activities are more complex, so monitoring requirements will vary. At a minimum, grantees are responsible for:

- Complying with the terms and conditions of the Standard Agreement with HCD, specifically anti-fraud and abuse;
- Following procurement processes in accordance with 2 CFR Part 200 or local standards if higher;
- Monitoring any subrecipients for federal compliance standards;
- Monitoring construction contractors for equal opportunity, federal and state labor standards and Section 3 requirements; and
- Performing sufficient financial controls to ensure NDR costs are eligible, reasonable and allocable;
- Document national objective compliance for all activities.

II. Annual Monitoring Assessment and Strategy

A. Assessment Process

Typically, the first step of a monitoring process begins with completing a risk assessment. However, for NDR, HCD will be monitoring all grantees and all grantee activities. This is possible because HCD will be originating six (6) grant agreements, so it is reasonable to have HCD use this Plan to monitor all grantees and their activities. Annually, on a calendar year basis, the Grant Manager will identify which grantees and activities need to be monitored. Grantees will be monitored based on

the status of their grant activities and past success or challenges. This annual monitoring scheduling process gives the Grant Manager the ability to ensure that all grantees and activities are monitored and to target grantees and activities that are ready for monitoring reviews.

To determine how often grantees or activities will be monitored, HCD considers several factors, including unique or local circumstances that may contribute to or increase the risk that compliance requirements will not be adhered to or program objectives will not be achieved. HCD analyzes the status of activity expenditures and progress narratives to determine the schedule for desk and onsite monitoring activities. Factors considered when determining monitoring needs include, but are not limited to:

- Experience with similar programs;
- The result of any previous NDR monitoring conducted;
- Whether the grantee has new personnel or substantial changes to any grant delivery systems or organizations;
- The complexity of the activity or compliance standards;
- Length of time since last monitoring; and
- Nomination from staff/management.

Records of the annual assessment outcomes are maintained by the Grant Manager in the grantee monitoring file. The annual assessment monitoring will be tracked in both HCD Consolidated Automated Program Enterprise System (CAPES) and in HUD Disaster Recovery Grant Reporting (DRGR) system. These systems will track the types of monitoring and overviews of monitoring outcomes and clearances of any issues. Using these two monitoring tracking systems, HCD management can validate completion of annual monitoring strategy.

B. Annual Strategy

Based on the monitoring assessment, GM will implement a monitoring strategy in accordance with the selected grantees and activities that need to be monitored. A monitoring may be an agreement comprehensive compliance review, or it may be oriented toward assessing compliance or performance in a specific area. Whether a monitoring review is conducted at HCD or on-site, the annual strategy defines the scope and focus of the effort. The monitoring strategy includes, but is not limited to:

- Specific grantees or activities or compliance standards to be reviewed;
- Type of reviews proposed, desk or on-site;
- Grantee names and contact information for monitoring;
- Identification of monitoring checklists to be used and documents that need to be provided; and
- A monitoring schedule, with proposed monitoring dates.

III. Desk Review

HCD uses formal, structured desk reviews (or “desk monitoring”) for discrete focused monitoring. These Desk monitoring have limited documentation requirements so that there is not a burden of shipping boxes of paper files or transferring large electronic

files. Desk reviews are performed in HCD offices regardless of grantee location and provide HCD with the ability to monitor grantees on a specific subject matter on a regular basis so that the Plan's goal of monitoring all grantees and their activities can be achieved.

A. Pre-Monitoring Preparation

Prior to initiating the Desk monitoring process, the Grant Manager must ensure that there is sufficient information on the subject matter that is to be reviewed, i.e. ensure a procurement is completed before monitoring it. Therefore, before engaging the grantee in the desk review process, Grant Manager reviews the following:

- The requirements of the NDR program;
- Previous monitoring, applicable reports, correspondence, or files;
- The Standard Agreement with the grantee, including amendments (if applicable); and
- The annual monitoring assessment and strategy.

B. Monitoring Notification Letter

The Grant Manager contacts the grantee at least 30 days prior to the start of desk monitoring via a monitoring notification letter. **See Exhibit A for sample letter.** The letter reiterates the purpose of the desk review and the grantee's responsibilities related to the monitoring effort. The letter also identifies the activity and compliance standards to be monitored, the documentation to be delivered to the Grant Manager, and the method(s) for providing the documentation to HCD.

The timeframe from the notification letter to the commencement of desk monitoring allows a sufficient period for the grantee to organize monitoring documentation, review their policies and procedures, and initiate internal controls they determine to be appropriate in advance of the formal monitoring. Also included in the letter is the monitoring checklist or checklists that must be used to compile the documentation for grantee submission to HCD.

Once the grantee returns the completed monitoring checklist with supporting documentation to HCD, the Grant Manager performs a preliminary review to determine that all requested documentation has been provided. In accordance with monitoring objectives, the Grant Manager may exercise their judgement to determine if additional, reasonable guidance would improve monitoring results or if the documentation is a satisfactory for compliance verification.

C. Monitoring Process

With the documentation received, the Grant Manager begins their desk review with the objective of identifying areas of merit to be recognized and areas that are deficient and must be improved to ensure effective NDR grant administration, activity implementation and compliance with state and federal regulations.

During a review of the documentation, the Grant Manager should use the following resources to ensure that determinations made in the monitoring are applicable and accurate:

- Federal Register Notices applicable to the NDR grant;
- The grantee's Standard Agreement;
- Other federal regulatory guidance, such as the administrative requirements, cost principles, and audit requirements outlined in 2 CFR 200;
- Relevant correspondence between HUD, HCD, and the grantee.

Types of determinations may be made as a result of the review, a finding, concern or an observation. **A directory of typical findings, concerns and observations is in Exhibit C.** HCD will provide a written letter listing each finding and concern, or if the monitoring does not indicate any findings, concerns or observations, then a clearance letter is provided.

1. Findings

Findings are deficiencies in NDR performance for which there is clear non-compliance with a statutory, regulatory, or NDR-specific requirement. Findings identified during monitoring must be addressed with an appropriate course of action, known as a corrective action plan.

Findings are recorded with a specific regulatory citation of the requirement that is not being adhered to, as well as a description of the condition which is causing the finding. Where possible, references should be made to specific dates, documents, payments, costs, or activities, rather than general operations.

In addition to a description of the finding, the monitoring review must identify a proposed corrective action with the appropriate guidance.

2. Concerns

Concerns are similar to findings in that a deficiency in performance is identified. However, the deficiency is not in clear violation of an existing statutory, regulatory, or NDR-specific requirement. Concerns may lead to future findings if deficiencies are not corrected.

Concerns may be more broadly described than a finding and not specifically cite a requirement. Concerns often reference a deficient process and not a deficient item. The concern does not need a corrective action plan and does not necessitate a corrective action requirement from the Grant Manager.

3. No findings or concerns

If the monitoring review does not identify findings or concerns, such a result must also be noted in the monitoring review file and CAPES and DRGR.

D. Monitoring Results

Upon completion of the desk review, the Grant Manager prepares a monitoring letter that describes the results of the areas reviewed and the basis for the conclusions. See Exhibit B for sample letter. The monitoring results letter should recognize areas of merit or satisfactory performance as well as document all findings, concerns or observations noted during the review.

A draft of the letter is provided to the grantee within 30 days of receipt of the Desk monitoring package. A conference call is set up to discuss the monitoring results and the recommended corrective actions. The grantee and HCD staff discuss the draft letter. If the grantee has documentation to clear a concern or finding, then that documentation is submitted for HCD review. After all reviews are completed, then HCD and grantee will reach an agreed upon set of monitoring results and corrective actions. The final monitoring letter is signed by the Fiscal and Compliance manager and sent to the grantee, with a copy being maintained in a monitoring file at HCD's offices. This final monitoring information is also placed into CAPES and DRGR for tracking purposes.

1. Corrective Action Plan

Each finding identified in a monitoring letter must be addressed with an action plan. HCD allows the grantee 30 days to respond with a corrective action plan. Extensions of time may be granted at HCD's discretion or if a time extension is requested and supported by the grantee.

In the corrective action plan, the grantee must describe the steps taken to resolve each finding and/or provide new process information or clarification on resolving the compliance issue. The corrective actions should generally follow the agreed upon recommendations from the draft review process.

The Grant Manager reviews the grantee's corrective action plan and compares the plan to the findings noted during the Desk review. HCD's monitoring clearance letter must respond to each finding's corrective action plan and confirm that it is sufficient to clear a finding. If additional revisions are needed to the corrective action plan before clearance, HCD GM will communicate with the grantee via phone or e-mail to reach resolution. All findings from monitoring visits must be cleared prior to NDR closeout.

2. Addressing Concerns

Each concern identified in a monitoring letter must be addressed with a brief explanation of the changes to policies or procedures. The changes to policies or procedures must be shown to prevent the concern from getting worse, moving into a finding or eliminate the concern all together.

3. Sanctions

If a finding remains uncorrected, one or more sanctions will be imposed. The severity of the sanction(s) is governed by the type and seriousness of deficiency. Possible sanctions include, but are not limited to:

- Reporting grantee in federal debarment system;
- Suspension of grant payments;
- Termination of grant;
- Disqualification from consideration for other CDBG funds; and
- Legal action pursued by CA Attorney General.

If the grantee does not address the deficiencies after being sanctioned, additional sanctions may be imposed.

4. Technical assistance

HCD uses monitoring to provide technical assistance and information to grantees to improve performance, develop or increase capacity, and augment management and technical skills where possible and feasible. Technical assistance may be provided as part of the grantee's development of correction action plans or addressing concerns.

The objective of technical assistance is to aid the grantee in its day-to-day compliance with federal and state regulations and program requirements. The nature and extent of technical assistance is determined at the discretion of the Grant Manager. Some examples of technical assistance include:

- Verbal or written guidance;
- Formal training; and
- Observation of grantee activities and the provision of feedback.

HCD identifies grantee training needs by reviewing the results of monitoring to determine the nature and extent of technical assistance. Training is targeted to address the most common challenges revealed in monitoring to increase local grants management capacity and provide relevant technical assistance.

5. Monitoring Clearance

After all follow-up actions are completed, the grantee must submit a monitoring resolution letter listing all findings and concerns with statements regarding resolution of concerns and completion of corrective action plans. HCD will provide a final monitoring clearance letter. The final outcomes of the desk monitoring will be recorded in CAPES and DRGR.

IV. On-Site Monitoring

The HCD Grant Manager and appropriate HCD personnel will conduct on-site monitoring visits in accordance with the annual schedule developed by the assessment and monitoring strategy. On-site monitoring activities are conducted at a site where the grantee administration and activity record keeping systems are in place. On-site monitoring is an effective way to validate desk review results, identify and/or research discrepancies, and more closely monitor larger compliance standards.

Similar to the desk monitoring process, the grantee is sent a monitoring notification letter in advance of the site visit. The letter is sent at least 30 days before the site visit to allow time for sufficient preparation. The grantee is required to have records, files, and documentation available for review during the visit. To expedite the review process, the notification letter lists areas or items that will be monitored during the visit. If the grantee engages other public agencies, operators, or consultants for program implementation, records must be available at the grantee's office during the visit.

Monitoring visits are an opportunity to increase the grantee's capacity to deliver services and implement projects or programs and for communication and problem-solving technical assistance between HCD and its grantees.

HCD aims to conduct on-site visits annually through grant closeout. An onsite monitoring may also be conducted if a significant deficiency is identified during desk monitoring, technical assistance visit, or other interaction with the grantee.

A. Entrance Conference

The first step of the monitoring visit is the entrance conference. HCD personnel meet with the grantee staff to explain the process of the review and identify possible outcomes. The Grant Manager asks the grantee to identify staff for each activity or area to be monitored and general logistics, such as the location of copiers, access hours, fire exits, etc., are discussed.

B. Monitoring Process

During the on-site visit, the Grant Manager reviews files for compliance with applicable federal and program requirements. This review is similar to the desk review process found in Section III above. To prepare for on-site visits, the Grant Manager uses information collected during desk reviews, such as employee time sheets, financial statements, position descriptions, and policy and procedural manuals provided by the grantee.

HCD personnel interviews and observes key program staff, reviews documentation, and examines the grantee's effort to monitor its subrecipients (if applicable) and manage its contractors. In conducting the review, the HCD personnel limits their review to the topics outlined in the monitoring notification letter whenever possible, unless sufficient concern is raised over an item that was not included.

1. On-Site Project Inspections

Generally, HCD does not monitor a grantee's subrecipient or construction contractor. Rather, HCD monitors the grantee's monitoring of the subrecipient or contractor. Monitoring of the grantee's subrecipients and contractors is the responsibility of the grantee. However, if HCD determines that a grantee has not performed adequate monitoring of its subrecipients or contractors, HCD may directly monitor the subrecipient or contractor to confirm that federal and state regulatory compliance is being provided. When necessary, the Grant Manager arranges on-site project inspections with the grantee and its subrecipients or contractors to confirm eligible NDR activities are being conducted, eligible costs are being charged and that the required national objective is being met.

C. Exit Conference

The Grant Manager concludes the site visit with an exit conference. The grantee staff and management, as appropriate, are expected to attend. The Grant Manager identifies issues revealed during the monitoring visit and discusses the impacts of the deficient practices. As with all phases of monitoring, the information provided in the exit conference is technical assistance and designed to build capacity and ensure program compliance.

Issues will not be categorized as a finding or concern during the exit conference. The final monitoring category and necessary corrective actions are transmitted to the grantee via a formal monitoring report letter. HCD staff, to the extent possible, works with the grantee to correct problems during their time on-site.

D. Monitoring Results

The results of on-site monitoring are delivered through the monitoring results letter, similar to the desk monitoring process. If possible and feasible, on-site technical assistance can be presented immediately to correct an observation, finding or concern identified in the monitoring. Findings, concerns or an observation that can be corrected through a corrective action plan or a response from the grantee for observations.

Findings noted in the monitoring results letter from on-site monitoring require the same corrective action plan as a desk monitoring. Refer to Section III above for more information.

V. Monitoring Activities

The Grant Manager and other HCD personnel conducting monitoring activities use established monitoring checklists as a guide to the applicable laws and requirements when reviewing administrative and programmatic files and records. A general description of each area tested during monitoring is provided below. Included in each description are the checklists that are used to facilitate the review. In addition, the applicable checklists are sent to the grantee with the Monitoring Notification Letter for each area to be reviewed.

A. Program Progress

The Grant Manager compares the schedule in the Standard Agreement to the actual progress to date (both in actual results and funds expended) to ensure the program is progressing in accordance with the time frame established.

B. Program Benefit

The Grant Manager reviews program files to ensure the appropriate National Objective has been met and that the method of determining eligibility was performed in compliance with the State's *Income Calculation and Determination Guide for Federal Programs*, if applicable to the program. The Grant Manager reviews progress reports submitted by the grantee to determine how many beneficiaries have been served and compares the actual number to the number projected in the approved funding application or agreement between HCD and the grantee.

For economic development projects, the Grant Manager confirms the business has hired/retained the workers required in the approved business loan application, commitment letter, and loan agreement. Job creation/retention is verified through the review of payrolls and employee and/or new hire income certifications. A visit to the project site may also be part of the review. The grantee is advised by the Grant Manager in advance to schedule meetings with borrowers and/or business personnel.

Activities that do not meet the defined National Objective may be determined to be ineligible and a repayment of funds may be required.

C. Environmental Review

HCD conducts a review of the Environmental Review Record (ERR) to verify that environmental clearance procedures comply with National Environmental Protection Act (NEPA) requirements. This review includes determining whether required procedures, finding forms, applicable supporting documentation, and necessary notices, public participation and actions are part of the ERR and available at the local government office for public review. The Grant Manager makes sure that required mitigation or follow-up actions indicated by HCD correspondence have been carried out.

D. Procurement

The grantee's records are reviewed for compliance with federal, state and local bidding and contract requirements. The Grant Manager evaluates the method of procurement, records of bids and proposals, selection procedures and the processes and documents for procuring professional services, supplies, materials, and construction contracts. Contracts and agreements are reviewed to ensure the required language and provisions have been included.

E. Labor Standards

Records are reviewed to assure compliance with applicable labor laws and state required record keeping.

HCD has appointed the Grant Manager as the Labor Standard Compliance Officer for CDBG-NDR projects administered by SNC that require public construction contracts and monitoring of federal and state prevailing wage compliance. With the assistance of a consultant, the Grant Manager is responsible for ensuring public construction activity is bid out using federal CDBG procurement standards and incorporates prevailing wage language and processes. The Grant Manager coordinates with the HUD Region IX Labor Specialist for construction activity implementation, including the submission of labor reports.

F. Property Acquisition, Relocation and Displacement *(if applicable)*

The Grant Manager determines if state and federal procedures and requirements were followed, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended by the Uniform Relocation Act Amendments of 1987 (URA). The review includes Section 104(d) relocation and one-for-one replacement housing requirements, where applicable. The Grant Manager determines if the recipient followed the correct procedures, including initial contact with the property owner, documentation of response, appraisal and review, just compensation determined, and offer made and accepted. Public Improvements, Public Services and Public Facilities

The Grant Manager reviews the grantee's records to ensure the projects or services are in compliance with relevant regulations, meet a national objective, and serve the area approved by HCD.

G. Equal Opportunity and Fair Housing

The grantee records must include an assessment of the effectiveness of the program's marketing and outreach efforts to ensure equal access to and non-discrimination in all program benefits. This includes a comparison between the grantee's general population, program applicants, and beneficiaries that received assistance or services. Applicants and beneficiaries that do not mirror the general population may indicate inadequate outreach.

The Grant Manager also reviews employee hiring practices to see if they are exclusionary. If there are outstanding complaints or lawsuits related to equal employment, the Grant Manager requires additional details on the grantee's hiring practices. The Grant Manager also determines compliance with Section 504 of the URA regarding non-discrimination on the basis of disability and accessibility to program benefits, facilities, and services. Finally, the Grant Manager reviews compliance with the requirements of Section 3.

H. Financial Management

The Grant Manager determines compliance with the financial management requirements outlined in Section V. In particular, the review determines if records are maintained in compliance with 24 CFR §85, 2 CFR §200, and applicable state requirements. Typically, the Grant Manager reviews ledgers, invoices, cancelled

checks, bank statements, and funds requests to verify that the grantee has an adequate financial management system.

I. Program Income

When applicable, the Grant Manager review records pertaining to CDBG program income. The Grant Manager verifies that records are maintained, expenditures comply with federal requirements, and that there is an approved *Program Income Reuse Plan (if applicable)*. The Grant Manager determines if the appropriate accounting records are being maintained and if accurate annual reports are being submitted to HCD.

J. Certifications

Grantees are required to certify that they understand and will adhere to key regulatory requirements associated with the CDBG-NDR funds. The Grant Manager reviews certifications submitted to ensure compliance, including adherence to HCD's Citizen Participation Plan and Residential Anti-displacement and Relocation Assistance Plan, where applicable.

K. Program Management

The Grant Manager verifies that overall grant management policies and procedures are in place to assure the continuing capacity of the grantee to properly administer CDBG-NDR funds. The Grant Manager reviews program record keeping, timeliness of reporting, history of receiving stop payments, program files, the grantee's ability to work within a designated time frame, and the effectiveness of the grantee's management system.