CA HCD ESG-CV Training Series: Monitoring Process
The State of California’s Department of Housing and Community Development (CA HCD) is required to monitor each program, function, or activity funded by its ESG & ESG-CV award.

Monitoring is not limited to a one-time event but is rather an ongoing process that assesses the quality of ESG & ESG-CV funded program performance over the life of the Standard Agreement and involves continuous communication and evaluation.

The goal of this process is to assist ESG & ESG-CV funded programs with improving performance, increasing capacity, and avoiding or remedying instances of non-compliance.
HCD’s grantees are required to monitor and report on the performance of their ESG & ESG-CV funded programs, including those implemented by:

- Internal departments and divisions
- Service providers and contractors
HCD’s grantees are expected to make all program records available to CA HCD for, and to participate in, regular monitoring events.

This training will outline CA HCD’s approach to monitoring which grantees may choose to adopt.

### EXHIBIT D

25. Audit/Retention and Inspection of Records

A. Subrecipient agrees to maintain accounting books and records in accordance with Generally Accepted Accounting Principles, per 2 CFR 200.49. Subrecipient agrees that the Department, the Department of General Services, the Bureau of State Audits, the Department of Housing and Urban Development, or their designated representatives, shall have the right to review and copy any records and supporting documentation pertaining to the performance of this Agreement. Subrecipient agrees to maintain such records for possible audit for five (5) years after the Department closes its HUD grant or any other period specified in 24 CFR §576.500 (y).

NOTE: Record retention is based on the Department’s HUD closing date; NOT five (5) years from this Agreement expiration. The retention requirement can extend beyond five (5) years after the Agreement expires. Therefore, the Subrecipient must contact the Department for the specific record retention date for this Agreement. Subrecipient agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of employees who might reasonably have information related to such records. Further, Subrecipient agrees to include a similar right of the Department to audit records and interview staff in any subcontract related to performance of this Agreement.

B. If Subrecipient receives federal funds that, in the aggregate, equal or exceed the threshold identified in the Uniform Administrative Requirements, the Subrecipient must have an annual single audit in compliance with the Single Audit Act of 1984, as amended and comply with 2 CFR Part 200, Subpart F. The audit shall be performed by a qualified State, local or independent auditor. Subrecipient shall notify the Department of the auditor’s name and address immediately after the selection has been made. The contract for audit shall include a clause which permits access by the Department to the independent auditor’s working papers. Audits shall be submitted to the Department when completed but no later than nine months following the close of the fiscal year. Subrecipient shall take corrective actions on any issues noted during the audit within six months of the date of receipt of the report. HCD shall consider sanctions as described in 2 CFR §200.505 if the Subrecipient is not in compliance with these audit requirements.

C. Subrecipient, its service providers, and their contractors, or subcontractors shall comply with the audit requirements contained in 2 CFR Part 200.
Roles & Responsibilities

- **HUD / HUD OIG**
  - Monitoring, Audit, & Oversight of CA HCD

- **CA HCD**
  - Monitoring & Oversight of Grantees
  - Internal Monitoring, Audit, & Oversight

- **Grantees**
  - Monitoring & Oversight of Subrecipients
  - Internal Monitoring, Audit, & Oversight

- **Subrecipients**
  - Local Program Implementation

**Reporting**
### Potential Monitoring Outcomes

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearance:</td>
<td>No violation of the program regulations or Standard Agreement requirements</td>
</tr>
<tr>
<td>Concern:</td>
<td>A condition, that if not corrected, may result in a violation of the program regulations or Standard Agreement requirements</td>
</tr>
<tr>
<td>Finding:</td>
<td>A violation of the program regulations and/or Standard Agreement requirements</td>
</tr>
</tbody>
</table>

*Failure to address findings in accordance with the recommended corrective action may result in the temporary denial of reimbursement, repayment of previous reimbursements, or termination of the agreement*
Consistent with HUD requirements detailed in the CPD Monitoring Handbook and CPD Notice 14-04, CA HCD conducts a risk assessment on entities implementing ESG & ESG-CV funded activities to identify the risk of fraud, waste, abuse, and non-compliance.

Grantees enter the risk assessment pool six (6) months after the Standard Agreement has been executed and will remain in the pool until closeout.
CA HCD will fill out the Risk Assessment Tracker by listing all grantees subject to the risk assessment.

<table>
<thead>
<tr>
<th>Subrecipient Name</th>
<th>Effective Date of Agreement</th>
<th>Date of Risk Assessment</th>
<th>Risk Score</th>
<th>Risk Level</th>
<th>Priority</th>
<th>Target Month for Event</th>
<th>Event Type</th>
<th>Last Year Risk Score</th>
<th>Date of Last Event</th>
<th>Last Event Type</th>
</tr>
</thead>
</table>
CA HCD will complete a Risk Assessment Worksheet for each grantee in the risk assessment pool to determine the level of risk they pose.

The risk assessment is measured on a 100-point scale whereby each grantee is assigned points for various factors which are summed up to a total score that corresponds with the following risk categories:

- High risk (51-100)
- Medium risk (30-50 points)
- Low risk (0-29 points)
**Risk Assessment**

**Determine Pool**

- Conduct Assessment
- Complete Records
- Finalize Results

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**ECA-CV Summary Risk Analysis Worksheet**

<table>
<thead>
<tr>
<th>Name of Subrecipient</th>
<th>Local Ward Reviewer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Criteria 1 - Grant Management**

**Factor Definition**: Grant to the subrecipient has the capacity to carry out ECA-CV activities according to established requirements.

**Rating Considerations**: The basis for the Evaluation's rating in this factor is based on information that directly evidence the subrecipient's capacity to administer the grant, including training of staff, activities and subawards, progress in implementing the project, through all of the prior 12 months of experience with Federal grants or projects; activities, and the financial reporting and technical assistance required by the subrecipient to carry out the activities. The following reports and reporting systems can be considered, including but not limited to: Consolidated Plans, Annual Labeled Performance and Evaluation Reports (CPAPP), Federal Financial Information Systems (FFIS), records of investments to be making choices, and other reporting mechanisms and systems. Environmental Compliance, Recipient and Recipient Policies and Program Compliance may also be considered.

- The Evaluation should award points to subrecipients in 0 thru 4. Choose only one risk score for each subrecipient from the point values listed below.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Risk Category</th>
<th>Risk Score</th>
<th>Evaluator's Score</th>
<th>Subrecipient's Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ECA-CV Implementing Reporting</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

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**Factor 2 - Financial Management**

A. Staff Capacity for Financial Compliance
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

B. Grant Amount
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

C. Grant Activity 
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

D. Grant Administration
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

E. Financial Management
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

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**Factor 3 - Services & Satisfaction**

A. Service Delivery
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

B. Program Outcomes
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

C. Service Delivery
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

D. Program Outcomes
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

E. Service Delivery & Program Outcomes
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

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**Factor 4 - Physical**

A. Physical Condition
   - (High/Medium/Low) Evaluator's Rating
   - (1/2/3) 0

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**Total Overall ECA-CV Risk Score**

| (Max. 100 pts.) | 100 |

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**Note**: Use this tool to evaluate the subrecipient's performance and compliance with the requirements of the grant.
The results of each risk assessment should be entered into the **Risk Assessment Tracker**

Once all risk scores have been entered, rank all grantees in order from highest to lowest risk based on their total score.

- Subrecipient Name
- Effective Date of Agreement
- Date of Risk Assessment
- Risk Score
- Risk Level
- Priority
- Target Month for Event
- Event Type
- Last Year Risk Score
- Date of Last Event
- Last Event Type

<table>
<thead>
<tr>
<th>Subrecipient Name</th>
<th>Effective Date of Agreement</th>
<th>Date of Risk Assessment</th>
<th>Risk Score</th>
<th>Risk Level</th>
<th>Priority</th>
<th>Target Month for Event</th>
<th>Event Type</th>
<th>Last Year Risk Score</th>
<th>Date of Last Event</th>
<th>Last Event Type</th>
</tr>
</thead>
</table>
Each risk assessment must be supported by documentation in accordance with the Risk Assessment File Checklist
Once all risk assessments have been completed, CA HCD will perform a review of each risk assessment file to ensure the documentation supports the results.

Once the **Risk Assessment Tracker** has been approved, the risk assessment is complete.
The monitoring plan serves as a roadmap that prioritizes monitoring higher risk grantees.

Based on the results of the risk assessment, complete the Monitoring Plan Tracker to identify:

- All grantees in order from highest to lowest risk
- The projected timeline of the monitoring events
- CA HCD and grantee contact information
- The type of monitoring event (on-site or desk) to be conducted and the area(s) that will be reviewed
A Desk Monitoring consists of an in-depth financial review of at least one Request for Funds (RFF) per grantee, per quarter, to ensure appropriate source documentation is maintained.

An On-Site Monitoring is a comprehensive review of high-risk grantees and their compliance with one or more program requirements including, but not limited to, activity and participant eligibility, data collection and reporting, as well as other federal requirements.

- On-Site Monitoring may be conducted remotely due to extenuating circumstances that prevent the event from being conducted on-site (e.g., COVID-19)
CA HCD will perform a review of the Monitoring Plan Tracker to ensure it is complete and accurately reflects the results of each risk assessment.

Upon approval, the Monitoring Plan Tracker shall be distributed to relevant staff.
Complete a **Monitoring Strategy** for each grantee being monitored by defining the type of monitoring (on-site or desk) to be performed, the area(s) that will be reviewed, and the checklists to be used.

Identify any records that will be reviewed during the monitoring in the **Document Request Checklist**.
**Monitoring Preparation**

### Develop Strategy
- Risk Assessment
- Monitoring Plan
- Monitoring Preparation
- Monitoring Fieldwork
- Monitoring Report
- Monitoring Response

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#### DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

**ESG-CV Monitoring Strategy**

<table>
<thead>
<tr>
<th>Subcontractor Name</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcontractor POC and Contact Information</td>
<td>Name, Title, Address, Phone, Email</td>
</tr>
<tr>
<td>Risk Assessment Score and Rank</td>
<td>Score, Rank</td>
</tr>
<tr>
<td><strong>Type of Monitoring</strong></td>
<td>On-site / Desk</td>
</tr>
<tr>
<td><strong>Date of Monitoring</strong></td>
<td>Beginning and End Date</td>
</tr>
<tr>
<td><strong>Location of Monitoring</strong></td>
<td>Address</td>
</tr>
<tr>
<td><strong>Lead Monitor</strong></td>
<td>Name</td>
</tr>
<tr>
<td><strong>Monitoring Team</strong></td>
<td>Name</td>
</tr>
<tr>
<td><strong>Areas to be Reviewed</strong></td>
<td>Financial Management, Activity Eligibility, National Objective, etc.</td>
</tr>
<tr>
<td><strong>Checklists to be Used</strong></td>
<td>Exhibit 1-1, Exhibit 1-2, etc.</td>
</tr>
<tr>
<td><strong>Number of Open Findings</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>Other Areas of Concern</strong></td>
<td>Unaudited performance, high number of citizen complaints, etc.</td>
</tr>
<tr>
<td><strong>Travel Arrangements and Costs</strong></td>
<td>Drive, public or other costs</td>
</tr>
<tr>
<td><strong>Estimated Staff Hours</strong></td>
<td>Three-day event five resolver 8 hours per day = 120 hours</td>
</tr>
</tbody>
</table>

**Prepared By:**
- Name: [Signature]: [Date]

**Approved By:**
- Name: [Signature]: [Date]

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#### DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

**ESG-CV Document Request Checklist**

<table>
<thead>
<tr>
<th>General Administration and Capacity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Written Standards related to ESG-CV funded projects and activities</td>
<td></td>
</tr>
<tr>
<td>Executed Standard Agreement and Implementation Plan applicable</td>
<td></td>
</tr>
<tr>
<td>Staff engaged in fieldwork monitoring on ESG-CV programs</td>
<td></td>
</tr>
<tr>
<td>List of key personnel and role descriptions</td>
<td></td>
</tr>
<tr>
<td>Approval of key personnel and roles</td>
<td></td>
</tr>
<tr>
<td>Staffing plan for either positions including staff turnover</td>
<td></td>
</tr>
<tr>
<td>Evidence of training provided to all ESG-CV funded staff</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual budget</td>
<td></td>
</tr>
<tr>
<td>Requests for funds, OPFR submitted to HUD</td>
<td></td>
</tr>
<tr>
<td>Invoices and supporting documentation for all costs reimbursed with ESG-CV funds</td>
<td></td>
</tr>
<tr>
<td>Accounting records or g. chart of accounts, general ledger, expenditure report, etc.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contracts and Permebrments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcontracts and other written agreements governing ESG-CV funds</td>
<td></td>
</tr>
<tr>
<td>Procurement records</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project/Activity Records</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Client list</td>
<td></td>
</tr>
<tr>
<td>Number of clients, status of application, address or location of assistance</td>
<td></td>
</tr>
<tr>
<td>Evidence of activity delivery per scope of work in Standard Agreement</td>
<td></td>
</tr>
<tr>
<td>Program reports submitted to HUD</td>
<td></td>
</tr>
<tr>
<td>Documentation that project meets a National Objective</td>
<td></td>
</tr>
<tr>
<td>Evidence of compliance with Duplication of Benefits requirements</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monitoring and Audits</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and Audit reports issued (HUD, HUC, HUD CRIS, or single audit)</td>
<td></td>
</tr>
<tr>
<td>Evidence of action taken in response to findings or recommendations, if applicable</td>
<td></td>
</tr>
<tr>
<td>Evidence of internal oversight measures</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Citizen Complaints</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Citizen complaint tracker</td>
<td></td>
</tr>
<tr>
<td>Citizen complaints and responses</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** Additional documentation may be requested based on the type of activity implemented, the monitor’s examination of documentation provided, or discussions with implementing staff or clients.

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Monitoring Preparation

- Assemble a file for each monitoring to be performed utilizing the Monitoring File Checklist.

- CA HCD will review each monitoring file to ensure appropriate parameters have been defined in the Monitoring Strategy.

- Upon approval, the Monitoring Tracker should be updated to reflect the finalized approach.
### Monitoring Preparation

#### DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

**ESG-CV Monitoring File Checklist**

<table>
<thead>
<tr>
<th>Subrecipient Name:</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Monitoring:</td>
<td>On-site / Desk</td>
</tr>
</tbody>
</table>

#### General

- Risk Assessment Worksheet | Date: |
- Intent to Monitor Letter | Date: |
- Completed Monitoring Review Checklist(s) | Date: |
- Copies of Documents Reviewed | |
- Completed Monitoring Report | Date: |
- Follow-Up Correspondence | Date: |
- Clearance Letter | Date: |

#### Monitoring Review Checklist(s) Used

- Enter description (e.g., Exhibit 1-1) |
- Enter description (e.g., Exhibit 1-2) |
- Enter description (e.g., Exhibit 1-3) |
- Enter description (e.g., Exhibit 1-4) |

#### Other

- Enter description |
- Enter description |
- Enter description |
- Enter description |
Once the date of the monitoring is determined, an **Intent to Monitor Letter** will be sent to the grantee at least 30 days before the monitoring event.

The letter should include the following:

- Date(s) of the monitoring event and a statement indicating whether the review will occur remotely or on-site
- Activity(ies) and area(s) to be reviewed
- Attach the **Monitoring Checklists** to be used during the event
- Attach the **Document Request Checklist**
DATE
NAME: TITLE
GRANTEE
ADDRESS

SUBJECT: Notification of Intent to Monitor the ESG-CV GRANTEE

Dear NAME,

The State of California’s Department of Housing and Community Development (HCD) is responsible for ensuring its ESG-CV funded activities are implemented in accordance with all program regulations and grant requirements. To fulfill our administrative obligations, HCD is notifying you of its intent to conduct a DESK/ON-SITE monitoring of GRANTEE (STANDARD AGREEMENT NUMBER) beginning on DATE & TIME. The monitoring visit will take place REMOTE/VISIT YOUR OFFICES located at ADDRESS.

The purpose of the monitoring is to determine whether GRANTEE is compliant with all regulations governing administrative, financial, and programmatic operations, and is achieving its performance objectives on time and within the budget.

The monitoring will be led by MONITOR NAME. To facilitate your preparation, a copy of the Document Request Checklists is enclosed. To optimize the available monitoring time, please ensure the documentation is submitted within 30 days from the date of this letter. Please Document Submission Process. Be sure to take reasonable measures to safeguard Personal Identifiable Information (PII).

The review may include, but is not limited to, the following areas:
- Subrecipient policies and procedures
- Reimbursement requests
- Performance reports

We appreciate the cooperation of your staff in accommodating this monitoring review. If you have any questions regarding this matter, please contact MONITOR NAME at XXX-XXX-XXXX.

Sincerely,

NAME: TITLE

Enclosure
oc: NAME: TITLE
Monitor Preparation

- Prepare the Entrance Conference Agenda

- Monitors are encouraged to review the following records before the monitoring to become familiar with the activity(ies) and identify any potential deficiencies:
  - Standard Agreement
  - Performance Reports
  - Requests for Funds (RFF)
  - Written Standards
  - Copies of audit reports
An entrance conference shall be held at the start of the monitoring event to ensure the grantee has a clear understanding of the purpose, scope, and schedule for the monitoring.

Confirm key logistics such as availability of key staff and access to the grantee’s relevant files.
Monitoring Fieldwork

Host Entrance Conference
- Perform Monitoring Review
- Conduct Exit Conference
- Finalize Records

Entrance Conference

Date:
Time:
Location:

Agenda

1. Welcome & Introductions
   a. Overview of entrance conference
   b. Name, position, role
   c. Contact information (see Contact List)
2. Monitoring Overview
   a. Purpose
   b. Scope
   c. Process
   d. Timeline
3. Logistics
   a. Office (e.g., restrooms, fire exit, lunch break, etc.)
   b. Schedule staff interviews (see Appointments Log)
4. Questions
Complete the **Monitoring Checklist(s)** by answering each question with a ‘Yes’, ‘No’, or ‘Not Applicable’

Each answer must include a written justification for the conclusion

- Relevant source documentation should be referenced with a copy attached in the monitoring file (especially in circumstances where it substantiates a finding or concern)
- Where feasible, interview the grantee’s staff to assess their understanding of the program requirements and capacity to implement the program in a compliant manner
Depending on the area(s) being monitored, CA HCD may need to select a sample of client files to review.

The type of client files subject to review should be based on the parameters of the monitoring event:
- Example: if the monitoring is focused on participant eligibility, CA HCD staff should review client files that have been deemed eligible to verify the grantee’s eligibility process is compliant with all program requirements.

The number of client files subject to review should be based on the complete list (universe) of all clients reported to date.

<table>
<thead>
<tr>
<th>Client Files (Universe)</th>
<th>Client Files (Sample)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50 client files</td>
<td>10 client files</td>
</tr>
<tr>
<td>Between 50-100 client files</td>
<td>20 client files</td>
</tr>
<tr>
<td>More than 100 client files</td>
<td>30 client files</td>
</tr>
</tbody>
</table>
At the conclusion of the monitoring, CA HCD shall host an exit conference with the grantee’s key personnel to discuss any preliminary findings and concerns as well as the next steps in the monitoring process.

For each finding or concern, the grantee will be provided:
- An opportunity to correct any misunderstandings
- A preview of the required corrective action that will be included in the **Monitoring Report**
Before drafting the **Monitoring Report**, ensure all questions from the **Monitoring Checklist(s)** have been answered and are supported by source documentation.

All documentation collected prior to, during, and after the monitoring must be saved in the monitoring file.
CA HCD will review the monitoring event file to ensure the source documentation supports the conclusions drawn in the Monitoring Checklist(s).

Upon approval, the Monitoring Plan Tracker should be updated to reflect the findings, concerns, and observations that will be included in the Monitoring Report.
Prepare a draft *Monitoring Report* to the grantee outlining the results of the monitoring event including:

- Date of the monitoring
- Scope of the monitoring review
- Any findings, concerns, or observations for the grantee
- Required corrective actions needed
- Timeline for response
CA HCD will review the draft **Monitoring Report** to ensure all findings and concerns include the condition, criteria, cause, effect and required corrective action.

Once approved, the final **Monitoring Report** should be issued to the grantee within 30 days after the monitoring review.
- Ensure all necessary documentation and correspondence is maintained in accordance with the Monitoring File Checklist

- Update the Monitoring Plan Tracker to include key information and deadlines associated with each monitoring event, any findings and concerns, and the status of each
Grantees have 30 days to respond to all findings in the Monitoring Report, unless otherwise specified.

CA HCD will review the response to ensure the grantee has addressed each finding as described in the corrective action.

If all findings are not adequately addressed, schedule a meeting with the grantee to provide technical assistance and map out a strategy for resolving open findings and concerns.
If a written response is not received within 30 days of the Monitoring Report being issued, CA HCD will issue a Non-Compliance Letter to the grantee requesting their response within 15 days.

CA HCD may take one or more of the following actions if a grantee fails to correct identified deficiencies:
- Temporarily withhold reimbursements until findings are addressed
- Request the repayment of previous reimbursements for disallowed costs
- Wholly or partly suspend or terminate the award
Once all findings have been remediated, prepare a draft Clearance Letter to the grantee. If the monitoring did not result in any new findings or concerns, the Monitoring Report will serve as the Clearance Letter.

CA HCD will review the Clearance Letter and the documentation supporting the resolution of the open findings.

Upon approval, send the Clearance Letter to the grantee and update the Monitoring Plan Tracker.
The monitoring event is complete once the following two conditions have been met:

- A Clearance Letter has been issued to the grantee
- The monitoring file contains all correspondence and documentation collected throughout the monitoring process as specified by the Monitoring File Checklist
Thank you for listening