



Community Development Block Grant (CDBG) Disaster Recovery and Mitigation

Subrecipient Program Compliance Guidance

**Applicable to Community Development (non-housing)
CDBG-DR and CDBG-MIT Programs Only**

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I. Terms and Definitions

CORRECTIVE ACTION PLAN (CAP): Action taken by the subrecipient requested by Program that corrects identified deficiencies -- as part of the HCD program/subrecipient compliance process -- addresses a concern or otherwise produces recommended improvements by program.

The HCD Monitoring and Compliance (MAC) team is a separate division from the CDBG-DR program team and has their independent monitoring process, which you can access in the “CDBG-DR Monitoring Plan” link below. Please keep in mind that the MAC team also uses “corrective action”. If there are findings identified during MAC’s monitoring process, it must be addressed with an appropriate course of action, known as a corrective action.

References:

For more information on HCD’s overall Monitoring and Compliance policies, please revisit:

- Your program’s **Policies and Procedures**, specifically **Section 4.6. Monitoring and Compliance, 4.6.1. HCD’s Monitoring of Subrecipients, and 4.6.2. Subrecipient Monitoring Responsibilities**.
- CDBG-DR [Grant Administration Manual](#), XVI. **Monitoring and Compliance**, pages 130-139
- CDBG-DR [Monitoring Plan](#)

II. Purpose

The California Department of Housing and Community Development (HCD) has a consistent and structured process for oversight of subrecipient compliance, provide technical assistance, issue noncompliance notifications, and support subrecipients in achieving timely remedies to the identified deficiencies. This process helps HCD mitigate the risk of more serious compliance issues. HCD’s priority is to support subrecipient project implementation and ensure timely expenditures, enabling projects to be completed within their designated performance periods.

The purpose of this Program Compliance Guidance document is to provide transparent communication and awareness to subrecipients on the compliance process, including HCD program and subrecipients’ responsibilities within that process. If your agency receives one or more compliance-related notifications from the program, this guide will help explain the anticipated steps.

Please note that the information here is regarding CDBG-DR’s *Program Compliance* process, which is a function between the HCD Program and the subrecipient. This is not to be



confused with the *Monitoring* functions between HCD's Monitoring and Compliance Team and the subrecipient.

Subrecipient Program Compliance issues generally fall into three categories:

- Performance compliance (milestones, statement of work, timeline)
- Reporting compliance (late activity/financial reports, \$0.00 reimbursement requests in a quarter, not resolving outstanding STD 209's in a timely manner)
- Breach of the contract agreement [Master Standard Agreement (MSA), Notice to Proceed (NTP), Standard Agreement (SA)]

HCD CDBG-DR Program will issue the following Compliance Letters to subrecipients, as needed, throughout the grant project's timeline:

1. Technical Assistance Memo
 - a. TA Memo \$0.00 Reimbursement
 - b. TA Memo Outstanding Report
 - c. TA Memo Milestones
 - d. TA Memo (customized by program for specific project issue)
2. Notice of Potential Noncompliance Request for CAP Letter
3. Notice of Noncompliance
4. Resolution of CAP Notice

III. Step 1: Technical Assistance Memo

The **Technical Assistance Memo** is the first formal step HCD takes in addressing a potential concern or an item that has been discussed with the HCD Representative and the subrecipient. This type of memo is intended to be supportive, offering clear guidance on the actions needed resolve the item or concern. If the subrecipient successfully addresses the items outlined in the TA Memo, resolution may be acknowledged via an email from HCD. The email serves as formal confirmation that the issue has been resolved, and no further action is required at this time.

Common examples of Technical Assistance Memos include:

- **TA Memo \$0.00 Reimbursement** – Issued when subrecipients have not submitted reimbursement requests for a given quarter.
- **TA Memo Outstanding Report** – Sent when subrecipients have not submitted activity or financial reports and are **14 calendar days late**, or as determined by program discretion.
- **TA Memo** – Used to address concerns related to milestones, scope of work, timelines, or other project requirements. For example, a memo may be issued if a deliverable outlined in the scope of work has not been submitted, and the program (or "HCD") and subrecipient



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have agreed on a path forward. The agreed upon next steps or resolution are then documented in the memo.

1.1 HCD will issue the Technical Assistance Memo for the following as applicable:

HCD Issues Memo to Subrecipient	Purpose	Subrecipient Required Response	If Subrecipient Does Not Respond
TA Memo \$0.00 Reimbursement	If no reimbursement requests have been submitted for a full quarter (3 months)	Must respond within 10 calendar days of receipt of the memo. Email response is sufficient.	HCD will send a follow-up reminder email
TA Memo Outstanding Report	<ul style="list-style-type: none"> • Issued if the subrecipient is late on submitting an activity or financial report, has not responded to requests to submit, and does not have a waiver from the Program Manager to submit a late report. • 14 calendar days late is a benchmark for the letter, after other communitive attempts such as email or phone have been ineffective. • The notice may also be used if a financial report with a STD 209 has not been resubmitted in a timely manner (10 business days). 	Must respond within 10 calendar days . Email response is sufficient.	HCD will send a follow-up reminder email .
TA Memo	<ul style="list-style-type: none"> • If the program identifies a miscellaneous project concern that requires resolution that could lead to noncompliance. • The memo will be tailored to specific issues, such as a project implementation clarification, at risk or missed milestone, or similar concern. It will include a clear 	Memo will include a clear description of the issue, the resolution agreed upon by both the program and the subrecipient,	If there is no subrecipient response or concern continues unresolved, HCD will issue a Notice of Potential



	<p>description of the issue, the resolution agreed upon by both the program and the subrecipient, and a specific deadline when the issue must be resolved.</p> <ul style="list-style-type: none"> • May also be used when a subrecipient has received a Notice of Potential Noncompliance and the subrecipient submitted a Corrective Action Plan (CAP), and efforts are underway to resolve the identified issues. The TA Memo can serve to document the subrecipient’s progress in addressing the CAP, outline the steps taken to date, and identify the next actions required for full resolution. 	<p>and a specific deadline when the issue must be resolved.</p>	<p>Noncompliance Request for CAP Letter (see 1.2 below).</p>
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1.2 If there is no subrecipient response or concern continues unresolved, HCD will issue a **Notice of Potential Noncompliance Request for CAP Letter**.

- This is the next step with the subrecipient if they have not responded or resolved the Technical Assistance Memo. It may also be used, at program’s discretion, if the subrecipient receives multiple Technical Assistance Memo’s on the same issue and continues to not be resolved.
- If a Corrective Action Plan (CAP) is already on file and the subrecipient has made some progress but the issue remains unresolved, the Program will issue a Technical Assistance (TA) Memo to acknowledge the work completed and outline the remaining requirements. However, if there is little to no improvement in addressing the concern, HCD will proceed directly to **Step 3: Notice of Noncompliance**.



IV. Step 2: Notice of Potential Noncompliance Request for CAP

HCD Issues Letter to Subrecipient	Purpose	Subrecipient Required Response	Subrecipient Response and Resolution
Notice of Potential Noncompliance Request for CAP Letter	If the subrecipient is at risk of or is out of compliance, and has not been resolved through the Subrecipient Monthly Activity Report (SMAR) and monthly subrecipient meetings.	<p>Must respond within 10 calendar days of receipt of the letter. It be must:</p> <ul style="list-style-type: none"> • Signed by the individual authorized to approve financial reimbursement requests • On the agency's letterhead 	<ul style="list-style-type: none"> • If the subrecipient does not provide a response or the issue remains unresolved, HCD will proceed with Step 3: Notice of Noncompliance. • If only some of the CAP components are resolved, and the subrecipient is actively working toward resolution, HCD will continue to collaborate with the subrecipient and issue a follow up TA Memo (misc.) to document the progress and the remaining items to complete. • If subrecipient responds and all CAP items are resolved, HCD will issue Step 4: Resolution of CAP.

V. Step 3: Notice of Noncompliance

HCD Issues Letter to Subrecipient	Purpose	Subrecipient Required Response	Next Steps
Notice of Noncompliance	HCD will request a revised CAP from the subrecipient	<p>Must respond with a revised CAP within 30 calendar days.</p> <ul style="list-style-type: none"> • The revised CAP must be signed by 	<p>HCD will continue working with the subrecipient to resolve the noncompliance.</p> <p>1) Noncompliance next steps:</p>



	<p>with updated milestones and a plan to resolve the noncompliance.</p>	<p>the individual authorized to approve financial reimbursement requests and be on the agency's letterhead.</p> <ul style="list-style-type: none"> The CAP may include remedies, such as requesting a revision/amendment to the project, requesting extension of deadline, etc. <p>HCD will send a reminder to the subrecipient two weeks before the revised CAP is due.</p>	<ul style="list-style-type: none"> If all CAP components are resolved, HCD will issue Step 4: Resolution of CAP. If only some of the CAP components are resolved, HCD will collaborate with the subrecipient on a revised CAP. HCD will update resolved items and identify areas still out of compliance in a revision to the CAP. HCD will continue working with the subrecipient until the CAP is resolved with program.
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VI. Step 4: Resolution of CAP Notice

4.1 HCD will issue the **Resolution of CAP Notice** to the subrecipient if noncompliance has been resolved between Steps 1-3.

- HCD will verify that the subrecipient has fully resolved all issues outlined in the CAP.
- The notice will confirm that all steps of program compliance have been satisfied.