ESG Office Hours – Spotlight Series

Subrecipient Monitoring Plan and Procedures

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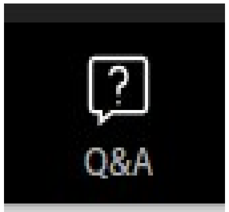
June 16, 2026

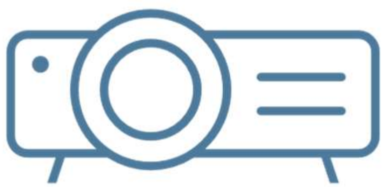
Question Format

- All questions must be submitted in the Question and Answer (Q&A) box
- Please include your name and organization name
- The team will read the question out loud at the end of the presentation. We will also answer in the Q&A box as applicable.
- All questions and answers entered into the Q&A box will be recorded as part of the public record.



SLIDES AND RECORDING

- Both the slides and recording will be available to all participants on the ESG webpage within two to three weeks of today's event. .



ESG PROGRAM UPDATES

- HPD CHHS CARE Training & Resources
- APR
- 2024 Contracts
- Coordinated Entry Resources

ESG GRANT REPRESENTATIVES

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Please reach out to your ESG representative listed above or contact us at the ESG NOFA inbox

ESGNOFA@hcd.ca.gov

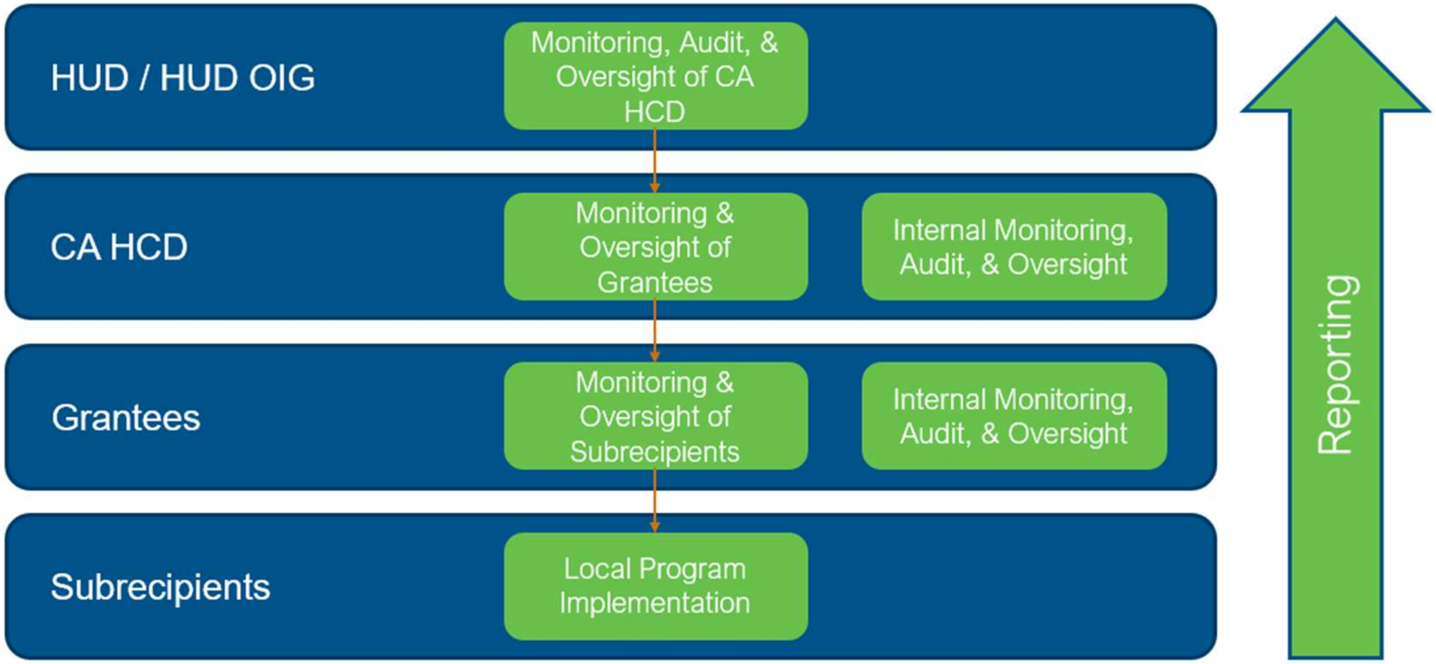
Subrecipient Monitoring Plan and Procedures

June 16, 2026

Today’s Agenda

- Roles and Responsibilities
- ESG Subrecipient Monitoring
- Risk Management
- Monitoring Schedule
- Monitoring Checklists
- Monitoring Visit/Desk Monitoring
- Monitoring Letter
- Follow-up

Roles and Responsibilities



ESG Subrecipient Monitoring

- The State of California's Department of Housing and Community Development (HCD) is responsible for ensuring its ESG-funded activities are implemented in accordance with all program regulations, state guidelines, risk management, and grant requirements.
- HCD's subrecipients are <u>required</u> to monitor their sub-subrecipients' programs, functions, or activities funded by its ESG sub-award.
- Monitoring is not limited to a one-time event but is rather an ongoing process that assesses the quality of ESG-funded program performance over the life of the contract and involves continuous communication and evaluation.
- The goal of this process is to assist ESG-funded programs with improving performance, increasing capacity, avoiding or remedying instances of non-compliance, fraud, waste, and abuse, and highlighting grantee best practices & accomplishments.

Risk Management

- Monitoring plays a key role in identifying and mitigating programmatic fraud, waste, and abuse.
- All organizations are required to develop and implement internal risk management and fraud prevention policies, procedures, and resource tools.
- These policies, procedures, and tools can aid the organization in identifying deficiencies that go beyond programmatic errors and ensure reporting processes are carried out properly.

Monitoring Schedule

The frequency and coverage of monitoring is highly dependent on the risk associated with a particular sub-subrecipient, as measured by:

- Experience of the sub-subrecipient with ESG;
- Stability of the sub-subrecipient's organization, particularly as measured by staff turnover;
- Previous experience with the execution of government-funded programs, particularly if there were previous compliance or performance problems; and
- Ability to spend funds in a timely manner and meet the expenditure milestones in the Standard Agreement.

Monitoring Schedule

- Establish a monitoring schedule early on.
- There must be **at least one** formal monitoring during the life of the contract.
- Schedule monitoring when it will be most useful—not too early and not too late. Plan visits at natural points in the process, like when key steps are reached or when payment is requested.
- Setting the schedule early removes the worry of surprise inspections and creates a clear, organized process.

Monitoring Checklists

- The monitoring plan should list what will be reviewed during each desk review and/or visit.
- It should also specify which documents, reports, files, and processes will be examined.
- The list will vary depending on components and activities being monitored.
- Using standard checklists helps ensure all areas are covered, supports thoroughness and consistency in the review process.

Monitoring Visit/Desk Monitoring

- Initiate the monitoring visit/desk monitoring with a notification letter.
- Conduct an entrance conference.
- Keep good notes.
- Conduct an exit conference.

Monitoring Letter

- Prepare and send a monitoring letter.
- Clearly identify Concerns and/or Findings.
  - Finding- is a condition where the subrecipient has violated an applicable regulatory provision.
  - Concern- is a condition that if not corrected, may lead to findings, or may result in deficient program performance.
- Always require a response, addressing any concerns and outlining the steps to be taken to correct the problem.
- Use other tools—like audits, mini-monitorings, informal site visits and Annual Performance Reports—to check progress and catch issues early.
- The subrecipient can require submission and review of reports by sub-subrecipient ahead of due dates.

Follow-Up

- If a sub-subrecipient is not in compliance with its contract, the subrecipient may be in default of its agreement with HCD.
- The subrecipient should consult with its legal counsel where enforcement of the sub-subrecipient contract is required.
- Sanctions can range from a warning to suspending payments, canceling the project, or requiring all or partial funds to be returned.
- Response should match the severity of the issue—for example, late audits don't justify full repayment, but fraudulent spending requires strong action.
- Subrecipients should consult with HCD when they are uncertain as to the appropriate level of sanction for noncompliance.

Follow-up and Risk Management

- Risk Management is an important element of monitoring; Program staff should be familiar with and follow their organization's Risk Management policies and procedures.
- If deficiencies are identified that rise to the level of suspected fraud (not programmatic errors), program staff must follow their organization’s risk management protocol by escalating up the leadership authority structure within program

Follow-up from HUD OIG ESG-CV Audit

- ESG CARES Act grant (ESG-CV) closed on June 30, 2024.
- The waivers that were in effect specifically for ESG-CV are no longer applicable to the ESG annual program.
- The following activities are not eligible under ESG programs;
  - Holding Fees
  - Landlord Incentives
  - Risk mitigation

Questions?

ESG Resources

- ESG Webpage:

  [Emergency Solutions Grants Program (ESG) | California Department of Housing and Community Development]

- <u>ESG Program Team Contact:</u>

  ESGNOFA@hcd.ca.gov

Join Team HCD

HCD values diversity at all levels of the Department and is committed to fostering an environment in which employees from a variety of backgrounds, cultures, and personal experiences are welcomed and can thrive. We believe the diversity of our employees and their unique ideas inspire innovative solutions to complex housing challenges.

Join us and help improve the lives of all Californians.

To find jobs at HCD:
Visit: jobs.ca.gov and click “Advanced Job Search.”

- Search for California Department of Housing and Community Development

New to state service? Don’t worry.
You can view the step-by-step process on jobs.ca.gov.

Thank you!

Next Office Hours is July 21st, 2026

For more information, or to send a comment or question, please email
ESGNOFA@hcd.ca.gov