

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Community Development Block Grant (CDBG) Program



MANAGING CDBG A GUIDEBOOK FOR GRANTEES ON SUBRECIPIENT OVERSIGHT



Managing CDBG

A Guidebook for Grantees on Subrecipient Oversight

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Community Development Block Grant Program

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TABLE OF CONTENTS

CHAPTER 1	PAGE
Introduction.....	1-2
Purpose of this Guide.....	1-2
Key Management Concepts.....	1-2
Rules and Regulations.....	1-3
Grantees, Subrecipients, and Contractors.....	1-3
Subrecipient Activities.....	1-5
Continuing Responsibilities of Grantees.....	1-5
Monitoring.....	1-6
Use of this Guide.....	1-6

CHAPTER 2	PAGE
Introduction.....	2-2
Importance of Assessments.....	2-2
Conducting a Pre-Award Assessment.....	2-2
Options for Solicitation of Subrecipients.....	2-3
Application.....	2-6
Selection of Subrecipients.....	2-6
Dealing with a Scarcity of Qualified Organizations.....	2-7
Expanding the Pool of Subrecipients.....	2-7
Conclusion.....	2-8
Resource - Sample Subrecipient Application Package.....	2-9
Resource - Basic Elements of a Subrecipient Application for Funding.....	2-10
Resource - Subrecipient Selection Checklist.....	2-11
Resource - Application Rating System.....	2-12
Resource - Risk Analysis Matrix.....	2-14

CHAPTER 3	PAGE
Introduction.....	3-2
Importance of Subrecipient Agreements.....	3-2
Minimum Subrecipient Agreement Requirements.....	3-2
Drafting your Subrecipient Agreement.....	3-3
Common Problems with Subrecipient Agreements.....	3-4
Use of your Subrecipient Agreement as a Management Tool	3-5
Use of your Subrecipient Agreement as a Training Tool	3-5
Conclusion	3-6
Resource - Subrecipient Agreement Checklist	3-7
Resource - Citations for the Basic Elements of a Subrecipient Agreement.....	3-8
Resource - Other Program Requirements	3-9
Resource - Sample Subrecipient Agreement.....	3-10
Resource - Documentation to be Maintained	3-30
Resource - Example #1: Sample Scope of Services for Public Service Activities	3-33
Resource - Example #2: Sample Scope of Services/Schedule of Payment for Housing Rehabilitation Activities	3-35
Resource - Example #3: Sample Scope of Services for Special Economic Development Job Creation Activities.....	3-40

CHAPTER 4	PAGE
Introduction.....	4-2
Importance of Orientation, Training, and Technical Assistance	4-2
How Orientation, Training, and Technical Assistance Differ	4-2
Orientation Sessions	4-2
Training Sessions	4-4
Technical Assistance.....	4-6
Evaluation Techniques	4-7
Conclusion	4-8
Resource - Factors to Consider when Scheduling a Training Session.....	4-9
Resource - Sample Training Curriculum on the Uniform Relocation Act (URA).....	4-11

CHAPTER 5	PAGE
Introduction.....	5-2
Importance of Subrecipient Monitoring	5-2
Regulatory Requirements	5-2
Overall Monitoring Guidelines	5-3
Development of a Monitoring Plan	5-3
Preparing for Monitoring.....	5-6
Conducting the Monitoring	5-7
Concerns and Findings, Corrective Actions, and Sanctions.....	5-9
Progressive Sanctions	5-10
Recognize Accomplishments.....	5-12
Auditing Requirements	5-13
Additional Sources of Evaluation Information	5-13
Conclusion	5-13
Resource - Summary of Monitoring Objectives	5-15
Resource - Checklist for Monitoring of a Subrecipient.....	5-16
Resource - Example of a Grantee Monitoring Letter to a Subrecipient.....	5-21
Resource - Review of IPA Audit Reports.....	5-24

CHAPTER 6	PAGE
Introduction.....	6-2
Importance of Information Systems	6-2
Elements of Successful Information Systems	6-2
Performance Monitoring	6-5
Performance Tracking Systems.....	6-7
Common Tracking Problems	6-11
Conclusion	6-12
Resource - Overview: Purpose of Tracking Information	6-13
Resource - Consolidated Annual Performance and Evaluation Report Information	6-14
Resource - Sample Monthly Report and Voucher.....	6-16

CHAPTER 1

INTRODUCTION

CONTENTS	PAGE
Introduction.....	1-2
Purpose of this Guide	1-2
Key Management Concepts.....	1-2
Rules and Regulations.....	1-3
Grantees, Subrecipients, and Contractors.....	1-3
Subrecipient Activities	1-5
Continuing Responsibilities of Grantees.....	1-5
Monitoring	1-5
Use of this Guide.....	1-5

RESOURCES

[Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities
Basiially CDBG for Entitlements](#)

INTRODUCTION

NOTES

The goal of the Community Development Block Grant (CDBG) program is to develop viable urban communities, provide decent housing, create suitable living environments, and expand economic opportunities for low- and moderate-income persons, with much of this work being done by subrecipients working on behalf of grantees like you.

Projects run more smoothly, finish on time and within budget, and earn praise from the community when your subrecipients comply with federal regulations and requirements, all of which bodes well for future project work. The inverse is true, too: poorly run projects lead to cost overruns, disallowed costs, delays, and bad reputations that can jeopardize future work.

The recommendations and interpretations offered in this Guide are meant to supplement—not replace—the regulations and policies of the CDBG program. Consult the applicable regulations for specific program requirements and your CDBG field representative for further guidance.

PURPOSE OF THIS GUIDE

The Guide will help you, as a CDBG entitlement grantee, to:

- Improve your management and oversight of subrecipient activities; and
- Comply with federal regulations and avoid adverse audits.

In addition to reading through this Guide, make sure you are familiar with CDBG program requirements and these important resources:

- [Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities](#)
- [Basically CDBG for Entitlements](#)

KEY MANAGEMENT CONCEPTS

Effective CDBG programs depend upon your ability to develop *cooperative, problem-solving relationships* with your subrecipients. It is far better to fix the problem than to affix the blame.

The following tips can help you develop good relationships with your subrecipients.

Develop Supportive Partnerships

Your subrecipients are your partners, not your adversaries. Focus your efforts on providing service and management support to your subrecipients. Avoid “us-them” adversarial relationships and “management by intimidation.” If they succeed, you both benefit.

Focus on Continuous Improvement

View monitoring as an opportunity to provide technical assistance and support to your subrecipients. Help them carry out program activities in a timely manner, achieve their goals, and improve their services.

Communicate

Openly and consistently communicate with your subrecipients to develop a complete understanding of what you both want to achieve. Reinforce the rules of the program. Recognize achievements. Acknowledge mistakes.

Emphasize Prevention, Not Cure

Develop agreements around screening, risk assessment, selection, orientation, monitoring, performance standards, and penalties for non-performance which can help you and your subrecipients attain your shared performance objectives and comply with CDBG regulations.

Concentrate on Process

Check in periodically with your subrecipients to confirm that they are complying with program regulations and meeting their performance goals

RULES AND REGULATIONS

You and your subrecipients share joint responsibility for complying with all federal requirements.

The following rules and regulations govern the CDBG program and apply to all CDBG-funded activities.

- [24 CFR 570—Community Development Block Grants](#) details the regulations of the CDBG program. Subparts J and K include the basic program regulations governing the management and financial systems for the CDBG program. These sections apply both to you as a grantee and to all your subrecipients.
 - [Subpart J \(24 CFR 570.500–570.513\)—Grant Administration](#) addresses general responsibilities for grant administration, including the applicability of uniform administrative requirements such as provisions of subrecipient agreements, program income, use of real property, record keeping and reporting, and closeout procedures.
 - [Subpart K \(24 CFR 570.600–570.613\)—Other Program Requirements](#) deals with other federal requirements that may apply to your subrecipients' CDBG-funded activities. All CDBG-funded activities must comply with regulations addressing civil rights, uniform administrative requirements, cost principles, and conflicts of interest. Additional requirements, depending on the activity, may apply: labor standards; environmental standards; flood insurance; relocation; displacement; acquisition; employment and contracting opportunities; lead-based paint; and/or use of debarred, suspended, or ineligible contractors.
- [2 CFR 200—Omnibus Circular](#) governs cost principles, administrative systems, fiscal procedures, and audit requirements for both you as a grantee and your subrecipients. This regulation amended 24 CFR 84 and 85 by removing all their provisions, but it included a “saving provision” that provides all federal awards made prior to December 26, 2014, will continue to be governed by Parts 84 or 85. Detailed information on the relationship of the Omnibus Circular, Part 84, Part 85, and the various OMB Circulars it replaces is included in [Playing by the Rules](#) (Chapter 1).

GRANTEES, SUBRECIPIENTS, AND CONTRACTORS

The CDBG Entitlement Program provides annual grants on a formula basis to entitled cities and counties to carry out a wide range of community development activities directed toward revitalizing neighborhoods, promoting economic development, and providing improved community facilities and services.

Entitlement communities—grantees—develop their programs and funding priorities, often using subrecipients or working with contractors to accomplish their CDBG goals.

Grantees

Eligible entitlement community grantees are as follows:

- Principal cities of metropolitan statistical areas (MSAs),
- Other metropolitan cities with populations of at least 50,000, and
- Qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities).

Eligibility for participation as an entitlement community is based on population data provided by the U.S. Census Bureau and metropolitan area delineations published by the Office of

Management and Budget. The U.S. Department of Housing and Urban Development (HUD) determines the amount of each entitlement grantee's annual funding allocation by a statutory formula that uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas.

Subrecipients

A subrecipient, as defined by 24 CFR 570.500(c), is a public or private nonprofit agency, authority, or organization, or a for-profit agency assisted under 24 CFR 570.201(o) receiving CDBG funds from the grantee or another subrecipient designated by a grantee to receive CDBG funds to carry out CDBG-eligible activities.

- **Private Nonprofits** are usually, but not always, corporations, associations, agencies, or faith-based organizations with nonprofit status under the Internal Revenue Code (Section 501(c)(3)).
- **Private For-Profit Entities** may qualify as subrecipients when carrying out authorized economic development activities ([24 CFR 570.201\(o\)](#)).
- **Community-Based Development Organizations (CBDOs)** may be designated as a subrecipient to carry out special activities such as economic development or new housing construction on behalf of the grantee ([24 CFR 570.204](#)).
- **Governmental Agencies** are quasi-governmental public agencies, commissions, or authorities (such as a public housing authority or a park district) that are independent of the grantee's government. Although they do not meet the definition of a subrecipient, governmental agencies carrying out authorized CDBG activities are treated by HUD as subrecipients and are subject to the same requirements applied to subrecipients ([24 CFR 570.501\(b\)](#)).

If an entitlement community chooses to run its CDBG housing rehabilitation program through its *independent* redevelopment authority rather than assigning it to its own staff, HUD will treat the authority as a subrecipient. This means that the grantee must have an agreement in place that meets the requirements set forth in 24 CFR 570.503—*Agreements with subrecipients*.

- **Units of General Local Government** participating in an urban county's CDBG program and their related agencies are treated as subrecipients. They are subject to the same requirements applied to subrecipients even though they are considered a part of the grantee.
- **Entitlement Grantees** that have entered into a joint agreement with an urban county are also treated as subrecipients.

When a CDBG activity undertaken by an entitlement community is assigned to a department or other organizational unit within the grantees' government, the assigned department is subject to the same requirements as the grantee's subrecipients. As such, HUD strongly recommends the execution of a memorandum of agreement or other inter-departmental agreement which contains much the same provisions as required in a subrecipient agreement ([24 CFR 570.503](#)—*Agreements with subrecipients*).

Contractors

A contractor is competitively selected by a grantee or a subrecipient to provide specified goods or services. CDBG funds are paid to the contractor as compensation for the satisfactory provision of the goods and services specified in the contract.

A contractor hired by you or your subrecipient must be selected in accordance with 2 CFR 200.320—*Methods of procurement to be followed*.

How Subrecipients Differ from Contractors

The distinction between a contractor and a subrecipient is clear: the difference lies in the procurement process and the administrative and monitoring requirements. The procurement process is more rigorous for contractors, while the administrative and monitoring requirements are greater for subrecipients.

Comparison	Subrecipient	Contractor
Selection Process	Designated by grantee following an application or other selection process.	Selected by grantee through a competitive procurement process.
Program Requirements	All CDBG rules and other applicable federal requirements apply.	Requirements of the specific scope of work and select federal rules related to bonding, insurance, and prevailing wages.
Performance Standards	Must adhere to responsibilities detailed in the written agreement.	Must deliver services identified in the contract.
Monitoring	Grantee monitors all aspects of program activities.	Grantee monitors all aspects of the contract.

For example:

- A development firm hired to build a new senior center is a contractor.
- A private or public nonprofit agency running senior service programs at the center is treated as a subrecipient.

There are situations where an entity receiving CDBG funds is neither a contractor nor a subrecipient.

For example, in the following cases, the entity is not carrying out an activity for the grantee, but is specifically eligible to receive the assistance under the regulations:

- an owner (either nonprofit or for-profit) of an apartment building receiving a rehabilitation loan or grant (24 CFR 570.202(b)(1)),
- a for-profit business receiving a loan or grant for an economic development project (24 CFR 570.203(b)), and
- a nonprofit organization or a business receiving relocation payments and relocation assistance (24 CFR 570.201(i)).

[CDBG Memorandum: Distinctions between Subrecipient and Contractor](#)
(September 1993)

SUBRECIPIENT ACTIVITIES

Subrecipients carry out activities that address the diversity of needs of your community's lower-income neighborhoods within the framework of the national objectives of the CDBG program:

- Benefit to low- and moderate-income (LMI) persons
- Aid in the prevention or elimination of slums or blight
- Meet a need having a particular urgency (referred to as urgent need)

[HUD's Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities](#) contains additional information on the national objectives of the CDBG program and eligible CDBG activities.

Most grantees use subrecipients. Some grantees use a limited number of subrecipients to offer services. Others make smaller grant awards, entering into agreements with many subrecipients. The larger the number of subrecipients you use, the greater your administrative responsibilities, and the time spent to oversee and support these organizations.

CONTINUING RESPONSIBILITIES OF GRANTEES

Regardless of how you delegate program responsibilities to your subrecipients, you remain accountable for the administration and monitoring of your CDBG program. Neither the law nor

any CDBG program regulation allows you to give up this responsibility (see [24 CFR 570.501\(b\)](#)).

If you choose to turn the administration of your CDBG program over to a subrecipient, you must have mechanisms in place to determine compliance by the subrecipient with all CDBG program and federal cross-cutting requirements.

MONITORING

The monitoring of subrecipients covers a broad range of administrative, program, and fiscal elements.

This Guide addresses both:

- Generic subrecipient issues that cross all activities and affect fiscal, regulatory, and programmatic performance, such as the need to document compliance with national objectives and to establish the eligibility of activities; and
- Activity-specific issues, with strategies and solutions for addressing hard-to-solve problems such as the proper use of escrow accounts in housing rehabilitation activities or demonstrating that economic development assistance provided to a for-profit business is properly underwritten.

USE OF THIS GUIDE

This Guide includes information on the major steps in selecting, training, managing, monitoring, and supporting subrecipients. Together, these elements make up the basic components of your subrecipient oversight system.

- **Chapter 2: Assessment and Subrecipient Selection** focuses on the assessment and selection of subrecipients before awarding a subgrant.
- **Chapter 3: Subrecipient Agreements** presents recommendations for drafting realistic and useful subrecipient agreements.
- **Chapter 4: Orientation, Training, and Technical Assistance** focuses on how you can use orientation, training, and technical assistance programs to anticipate and resolve monitoring issues.
- **Chapter 5: Monitoring Strategies and Procedures** discusses monitoring strategies and procedures.
- **Chapter 6: Systems and Procedures for Tracking Subrecipient Progress** describes reporting systems and other information tools for tracking subrecipient progress in both fiscal and programmatic terms.

This Guide includes several features to help you identify relevant sections for a specific issue when you monitor your subrecipients:

- “Tips” providing more information on issues noted in the text to improve the efficiency and effectiveness of your oversight system.
- “Pros” and “Cons” of options for addressing particular issues.
- Highlights of how grantees address monitoring responsibilities.
- Summaries of key regulations, sample agreements, checklists, forms, reports, training curricula, and links to online resources.

While we recommend reading the guide in the order presented here, feel free to visit the chapters in the order that interests you most.

CHAPTER 2

ASSESSMENT AND SUBRECIPIENT SELECTION

CONTENTS

PAGE

Introduction.....	2-2
Importance of Assessments	2-2
Conducting a Pre-Award Assessment	2-2
Options for Solicitation of Subrecipients	2-3
Application	2-6
Selection of Subrecipients	2-6
Dealing with a Scarcity of Qualified Organizations.....	2-7
Expanding the Pool of Subrecipients	2-7
Conclusion	2-8

RESOURCES

Sample Subrecipient Application Package.....	2-9
Basic Elements of a Subrecipient Application for Funding.....	2-10
Subrecipient Selection Checklist	2-11
Application Rating System	2-12
Risk Analysis Matrix	2-14

INTRODUCTION

This chapter focuses on procedures for assessing the capabilities of prospective subrecipients prior to the award of CDBG funds.

While not required to formally assess prospective subrecipients, you should screen all applicants, including current subrecipients, before making any award decisions.

A well-planned pre-award assessment process will help you evaluate the monitoring and technical support needs of prospective subrecipients and balance them with available administrative resources.

IMPORTANCE OF ASSESSMENTS

A thoughtful assessment of potential—and current—subrecipients can help you:

- Identify the strengths and weaknesses of prospective subrecipients,
- Decide which of several prospective subrecipients to select for an activity,
- Anticipate their training and technical assistance needs,
- Develop agreements that make funding contingent on the correction of identified deficiencies,
- Reduce the risk of major problems in the future, and
- Establish special monitoring procedures to assure the subrecipients are achieving their goals.

CONDUCTING A PRE-AWARD ASSESSMENT

Base your assessment of potential subrecipients on both the quality of the project and the capacity of the subrecipient to carry it out.

When evaluating the capacity of an organization and the quality of their proposal, you should examine:

- The nature of the activity,
- Whether the proposed plan for carrying out the activity is realistic,
- The organization's ability to do the work in a timely manner, and
- The possibility of any potential conflicts of interest.

The Subrecipient Selection Checklist included in the Resources section provides helpful guidance in assessing the capacity of prospective subrecipients.

Does the Organization Qualify as a Subrecipient?

Verify that the applicant meets the definition of subrecipient in [24 CFR 570.500\(c\)](#) and has the capacity to carry out CDBG-eligible activities.

Are the Activities Eligible for Funding?

Verify the eligibility of the proposed activities early in the assessment process.

Consult [24 CFR 570, Subpart C](#) for a complete description of eligible and ineligible activities.

Keep in mind that certain activities are specifically ineligible. There are times, however, that the same objective can be met in a different way that conforms to CDBG program requirements. Consult with your CDBG field representative if you have any questions about the eligibility of a proposed activity.

To prevent subrecipients from using CDBG funding for ineligible activities, be sure you have a substantive project description and scope of services before committing funds. Provide potential subrecipients with a list of ineligible activities.

Does the Activity Meet a National Objective?

Evaluate how the proposed activity addresses one of the [national objectives](#) of the CDBG program.

Review your community's Consolidated Plan. Is the proposed activity consistent with your CDBG program priorities?

The standards for meeting and documenting compliance with a national objective can vary depending on the activity.

Is the Design of the Proposed Activity Appropriate?

Evaluate the adequacy of the proposed program design and its approach for the delivery of services.

- Does the activity address an established and documented need?
- Are the major tasks needed to carry out the activity identified? Does the organization understand the interrelationship of these tasks?
- Is the program schedule realistic? Are there any stumbling blocks to its timely implementation?
- Does the budget realistically reflect the cost of needed resources? If other sources of funding are identified, have they been committed to the project?

Does the Organization Have the Capacity to Complete the Activity as Proposed?

Finally, you should assess the overall organizational capacity of the prospective subrecipient.

- Has it undertaken similar programs or activities? What was the result?
- If it has received CDBG or other federal funding in the past, how successful were they in meeting program requirements?
- Does it understand the specific CDBG and federal regulatory requirements that will apply to their proposed activity?
- Is it aware of the detailed records it must maintain to track expenditures, revenues, and staff time spent on specific CDBG activities?
- Are there adequate administrative and financial processes and systems in place to comply with these requirements? If not, has it developed a plan to upgrade these systems?
- Does it have qualified individuals on staff assigned to work on the proposed activity? Is there adequate staff time available to complete the identified tasks on time? If not, how does it plan to fill these gaps in personnel?

OPTIONS FOR SOLICITATION OF SUBRECIPIENTS

Grantees use a variety of approaches to solicit and assess prospective subrecipients. You may want to use a single approach or a combination of the options described here.

- Request for Applications
- Simplified or Limited Application
- Direct Solicitation of Qualified Organizations
- Unsolicited Requests
- Assessment of Current Subrecipients

Request for Applications (RFA)

Application for funds following a formal solicitation process.

Evaluate applications using established selection criteria and ranking systems.

A formal RFA is recommended when:

- You have identified a specific need with defined goals or outcomes,
- Specific activities are numerous or complex,
- Potential applicants have varying degrees of expertise and capacity,
- The cost and level of risk of program failure are high,
- There are many competing needs or approaches for addressing these needs, or
- Limited funds are available.

Simplified or Limited Application

An abbreviated, less formal application process following a public solicitation for proposals.

Unlike the RFA model, applicants submit a general description of their proposed activity, organizational experience, and capacity to complete the project. They do not need to provide detailed explanations of how they will address the regulatory requirements of the program. They should, however, be required to demonstrate their organization's ability to meet identified selection criteria.

In evaluating applications, review the descriptions and narrow down the number of applications under consideration. Before making any award recommendations, contact the most promising organizations and ask them to provide more detailed information regarding their capacity to comply with federal requirements or to answer questions about their program design.

A simplified application process may be useful when:

- Potential providers have limited experience or ability to respond to a formal application;
- The level of program complexity (and therefore, risk of failure) is moderate or low; or
- There is an interest in maintaining a large pool of qualified applicants.

Direct Solicitation of Qualified Organizations

Solicitation of proposals for a specific activity from a pool of qualified prospective subrecipients.

A pool of qualified organizations can be identified:

- Informally, through discussions with knowledgeable community sources;
- Using resources that you and your staff have compiled; or
- By reviewing the applications received following the issuance of a request for qualifications.

Contact specific organizations identified in this process to determine their interest in working with you on a specific activity. Evaluate their capacity to complete the identified project.

At this point, assuming the organization is found to be an appropriate fit for the project, you have the option to solicit an application from the organization for further review or to begin to negotiate the terms and conditions of a written Subrecipient Agreement.

Unsolicited Requests

Unsolicited requests for funding are common.

If you receive a direct request for funds that may or may not conform to your funding plans, it is your responsibility to evaluate the feasibility of the proposal.

- Does the project meet a national objective?
- Is the proposed activity eligible under the CDBG regulations?
- Are there funds available for the proposal?

If the proposal has merit and funding is available, a simplified application should be submitted

and a pre-award assessment conducted, regardless of the size or complexity of the proposal or who has requested funding. You may also opt to include them in your pool of qualified organizations.

It is important that you treat all prospective subrecipients equally and that you have an opportunity to review information about the capacity, experience, and reliability of the prospective subrecipient.

Assessment of Current Subrecipients

Incorporate an assessment of your current subrecipients into your normal monitoring process.

To save time and effort, schedule your monitoring reviews to coincide with decisions about renewing your current Subrecipient Agreements.

An assessment is appropriate even if you intend to retain your current group of subrecipients. Some may be marginal performers that need the feedback to motivate them to improve. Others may be well-intentioned and well-run but unaware of specific weaknesses in their operations. Others still may be exemplary performers that deserve to have their achievements recognized.

Use the results of your assessment to determine if you want to continue to use a troubled subrecipient or require corrective action as a condition for continued participation in the CDBG program.

Pros and Cons of Solicitation and Pre-Award Assessment Options		
Approach	Pros	Cons
Request for Applications	<p>A thorough description of their organizational capacity, program design, and their approach to specific regulatory requirements is provided by the applicant.</p> <p>Applications are more easily evaluated based on consistent selection criteria.</p>	<p>Experienced applicants may have a better chance at funding than other less experienced but qualified applicants.</p> <p>The evaluation process can be time-consuming.</p> <p>May limit opportunities to solicit new subrecipients.</p> <p>Funding decisions may be subject to challenges from unsuccessful applicants.</p>
Simplified or Limited Application	<p>The simplified process encourages new or innovative ideas.</p> <p>New or inexperienced applicants may find it easier to apply.</p>	<p>The evaluation process may be more time-consuming.</p> <p>Funding decisions may be subject to challenges from unsuccessful applicants.</p>
Direct Solicitation of Qualified Organizations	<p>Organizations that are the best “fit” for a specific project can be targeted.</p> <p>The evaluation process may be less time-consuming.</p>	<p>Less experienced but qualified organizations may be overlooked.</p> <p>Vulnerable to criticism about favoritism and as a less open process.</p> <p>Can be subject to more political influence.</p>
Unsolicited Requests	<p>Applicants may identify new opportunities.</p> <p>Applicants may be more motivated and committed to the proposed project.</p>	<p>Shifts much of the responsibility for determining the capacity of the applicant to the grantee.</p> <p>Applications may be more politically motivated.</p> <p>May present problems with budgeting and time management.</p>
Assessment of Current Subrecipients	<p>Subrecipients who perform well may receive continued funding and may work harder to meet expectations.</p> <p>Subrecipient management can be easier when working with experienced organizations.</p>	<p>May exclude inexperienced but promising subrecipients.</p> <p>Experienced subrecipients may take funding for granted and the level of their performance may decline.</p>

Choosing the Best Approach for Soliciting Prospective Subrecipients

The approach you use to solicit proposals will depend upon:

- The needs of your community,
- The performance of your current subrecipients,
- The depth of your qualified subrecipient pool,
- The amount of funding available for subrecipient activities, and
- Your capacity to oversee the solicitation and pre-award assessment process.

You may elect to use a combination of approaches to solicit proposals from prospective subrecipients.

It can be difficult to determine how much of your program funds should be set aside for unsolicited requests. Consider using recaptured funds for new, unanticipated requests for funding. The activities in unsolicited requests that are approved for funding must be in an Action Plan or amended Action Plan and meet other CDBG program and cross-cutting requirements before being carried out.

Many grantees will issue an RFA while continuing to accept unsolicited requests for funding to encourage new subrecipients and new ideas. Depending upon the nature and complexity of the activities they want to undertake, some will issue a formal solicitation for proposals while accepting simplified applications for smaller projects. Others choose to set aside a percentage of their funds for ongoing projects administered by high-performing subrecipients or for new projects administered by qualified agencies.

APPLICATION

Regardless of the approach you use, your application form should require detailed information that will enable you to determine the eligibility of the proposed activity, identify the applicable national objective, and evaluate the organization's capacity to administer the activity and comply with federal requirements.

The Resources section includes information on the [Basic Elements of a Subrecipient Application for Funding](#) and a [Sample Subrecipient Application Package](#) that can be modified to fit your needs regardless of the approach you use to select your subrecipients.

SELECTION OF SUBRECIPIENTS

The final step in your pre-award assessment process is the selection of your subrecipients.

To effectively target your CDBG resources, rate and rank your prospective subrecipients prior to any grant award.

The [Subrecipient Selection Checklist](#) and [Application Rating System](#) included in the Resources section of this Guide provide criteria for selecting subrecipients and assessing risk.

Development of Explicit Selection Criteria

Regardless of how you solicit and assess prospective subrecipients, it is important that you present your selection criteria at the beginning of the process.

Your selection criteria should be explicit and tied to CDBG program requirements. It will help you determine whether a prospective subrecipient has the necessary systems in place for the proposed activity. If you are seeking to address an identified need, your criteria should acknowledge your specific goals and expected outcomes.

The early establishment of explicit selection criteria will:

- Limit questions about the objectivity and fairness of your assessments;
- Educate prospective subrecipients, the community at large, and elected officials about the federally imposed regulatory constraints;
- Help focus your selection of your subrecipients; and
- Reduce political pressure to select a specific organization or assist a targeted constituency.

Regardless of the approach you use, identify all applicable rules—including Davis Bacon prevailing wage requirements, environmental reviews, anti-discrimination, and accessibility standards—in your application materials.

Risk Assessment

Before finalizing your selection of subrecipients, assess the degree of risk to your program that a proposed activity or prospective subrecipient may pose.

Factors to consider when evaluating the risk of individual proposals during your assessment include the:

- Complexity of the proposed activity,
- Experience of the prospective subrecipient, and
- Funding required to complete the activity in a timely manner.

Using a risk analysis matrix, (see [Risk Analysis Matrix](#) in the Resources section), rate individual proposals by the degree of risk (low, medium, and high) they represent. Compare the ratings of competing subrecipient proposals before finalizing your grant awards.

DEALING WITH A SCARCITY OF QUALIFIED ORGANIZATIONS

You may want to add new activities to your CDBG program but find that few local organizations have the experience and administrative systems needed to carry out the new activities in compliance with CDBG program requirements.

If faced with a lack of qualified organizations available to undertake a new activity, you can:

- Carry out the desired CDBG activities yourself,
- Find or develop organizations with the necessary capacity, or
- Defer the undertaking of the activity.

Before making any decision about how you will proceed, it is important to acknowledge that deferring action may not be an option if the proposed activity is critical for revitalizing a targeted neighborhood or meeting the needs of a specific population. It may also be difficult to take on any new activities if your administrative capacity is already stretched thin. Your only reasonable course of action may be to create and nurture greater subrecipient capacity.

EXPANDING THE POOL OF SUBRECIPIENTS

If you decide to help an organization become qualified as a subrecipient, you will encounter two issues unique to new organizations: the cost of incorporation and the need for start-up financing.

Although CDBG funds are used for certain capacity-building efforts, in most cases funding for start-up costs must be secured from other sources. Local foundations, other nonprofit agencies, or corporations that support community development efforts may help offset anticipated start-up costs to include activities such as filing for corporation or obtaining status as a nonprofit.

CONCLUSION

NOTES

In this chapter, you learned how to solicit, assess, and select subrecipients.

You should now be able to:

- Conduct a pre-award assessment.
- Evaluate approaches for soliciting applications from prospective subrecipients.
- Select qualified subrecipients.
- Identify ways to address the lack of qualified subrecipients.

SAMPLE SUBRECIPIENT APPLICATION PACKAGE

Among other features, application packages provided to prospective subrecipients for use in proposing activities for CDBG funding should have the following characteristics:

1. Provide a clear explanation of the CDBG program, so that subrecipients understand what they are applying for and what their responsibilities will be;
2. Indicate the grantee's funding priorities;
3. Be detailed enough to capture all important information regarding eligibility, compliance with National Objectives requirements, and the schedule for project implementation;
4. Not be so elaborate or forbidding that subrecipients are discouraged from applying; and
5. Provide enough information about the subrecipient organization to permit grantees to make reasonable judgments about the subrecipient's qualifications to carry out the proposed activity.

Basic Elements of a Subrecipient Application for Funding and Applicable Federal Regulations provides guidance on how an application package that incorporates these features can be designed.

Previously Funded Subrecipients: Some grantees that review applications received from previously funded subrecipients make allowances for information they already have about the subrecipient in order to make the application procedure less burdensome. One suggestion is to include a question in your application that addresses subrecipients with prior CDBG experience, such as, "Has anything changed on this item? If so, explain how and why." Alternatively, you might include a statement indicating which items need not be resubmitted, such as:

Private agencies that have applied in the past three years or are currently funded by the Office of Community Development do not need to submit Articles of Incorporation, tax exemption letters, an organization chart, and resumes of the program administrator and fiscal officer if they are on file in this office and they have not been changed since initially submitted.

BASIC ELEMENTS OF A SUBRECIPIENT APPLICATION FOR FUNDING

Abstract of an Application

It is recommended that the narrative be limited to no more than five pages.

The application package should include a discussion of eligible and ineligible activities and National Objectives followed by the required data to be submitted by the prospective subrecipient for funding consideration. At a minimum, the application package should address the following items:

1. Summary of Eligible and Ineligible Activities (with references to relevant section of regulations)
 - Basic Eligible Activities
 - Eligible Rehabilitation and Preservation Activities
 - Special Economic Development Activities
 - Special Activities by CBDOs
 - Eligible Planning, Urban Environmental Design, Policy-Planning, and Management-
 - Capacity Building Activities
 - Eligible Administrative Costs
 - Ineligible Activities
2. Data Required to be Submitted
 - a. Project Summary (Narrative)
 - Need/Problem to be addressed (consistent with priorities established in
 - Consolidated Plan/Annual Action Plan
 - Population/Area served (including estimated numbers of clients and other measurable outputs)
 - Description of work (including who will carry it out and how eligibility and National Objective requirements will be met)
 - Proposed Schedule of Work
 - b. Detailed Budget Information including all funding sources
 - c. Agency Information
 - Background/Program Experience
 - Personnel/Staff Capacity
 - Financial Capacity
 - Monitoring
 - Audit Requirements
 - Insurance/Bonding/Worker's Compensation
 - Any other additional information
 - d. Standard Required Documents/Forms
 - Articles of Incorporation/Bylaws
 - Certificate of Good Standing with the State
 - State and Federal Tax Exemption Determination Letters
 - List of Board Members
 - Authorization to Request Funds
 - Designation of Authorized Official(s)
 - Organizational Chart
 - Resumes of Program Administrator and Fiscal Officer
 - Annual Financial Statements and Audit
 - Conflict of Interest Questionnaire (followed by a discussion of the conflict of interest provisions)
 - Documentation of Compliance with National Objectives

SUBRECIPIENT SELECTION CHECKLIST

This checklist provides useful criteria for selecting subrecipients and assessing risk. A grantee should use such criteria to determine whether a prospective subrecipient has the necessary systems in place for the Federal requirements that impact the type of activity being proposed. The grantee should “walk through” a hypothetical scenario involving the proposed activity to assess how the requirements on the checklist will be handled. This will allow the grantee to gauge the completeness of the prospective subrecipient’s systems and determine whether any technical assistance and/or close oversight will be necessary.

- Project is eligible and meets one of the three broad National Objectives:
 - Principally benefits low- and moderate-income persons;
 - Prevents or eliminates slum or blight;
 - Addresses an urgent need or problem in the community.
- Project fits into the community priorities set out by the Consolidated Plan.
- Project can be completed within a reasonable time frame.
- Prior experience with CDBG related activities, **and/or**
- Prior experience with other grant programs, and proven record carrying out similar projects in the community.
- Financial capacity as indicated by audited financial statements and banking/credit references.
- Financial stability (not total dependence on CDBG funds) as indicated by other funding sources and amounts, over time.
- Adequate staffing (number of staff and qualifications).
- Organizational strength, including:
 - Record-keeping methods;
 - Filing systems;
 - Financial systems; and
 - Existence of a written procedures manual for financial management and personnel.



APPLICATION RATING SYSTEM

The following scoring sheet identifies criteria that grantees may use to rate applications submitted for CDBG funding. Prior to rating applications, grantees should develop a point system for scoring of individual evaluation criteria and identify a minimum threshold that applications must meet before conducting further comparative analysis.

1. Benefit to Low- and Moderate-Income Persons: Maximum of ___ Points

___ Points will be given to activities that benefit at least 51 percent low- and moderate-income persons.

Zero points will be given to activities that meet either of the other two National Objectives.

2. Benefit to Target Areas: Maximum of ___ Points

Activities located within a Target Area will receive the maximum ___ points. Activities adjacent to a Target Area will receive ___ points. All other activities will be awarded ___ points.

3. Activity Need and Justification: Maximum of ___ Combined Points

a. Need: Maximum of ___ Points

The activity will be evaluated in terms of the documentation and justification of the need for the activity. Activities with excellent documentation and justification will be awarded the maximum of ___ points; good, ___ points; average, ___ points; and poor, 0 points.

b. Consolidated Plan Priority: ___ Additional Points

Activities addressing high priorities, as identified in the Consolidated Plan.

4. Cost Reasonableness and Effectiveness: Maximum of ___ Points

The activity will be evaluated in terms of 1) its impact on the identified need; and 2) its implementation costs and funding request relative to its financial and human resources. Evaluation will include the cost incurred per person per unit and the justification for a particular level of funding.

5. Activity Management and Implementation: Maximum of ___ Combined Points

a. Management: Maximum of ___ Points

Points will be awarded to applicants based on documentation and information provided, showing that the resources needed to manage the proposed activity are available and ready, and that the commitment for operation and maintenance, where applicable, has been certified. In addition, for applicants that have received CDBG funds in the past, their record of maintenance for the funded activity will be evaluated.

b. Implementation: Maximum of ___ Points

Points will be awarded to applicants based on documentation and information provided, showing that the resources, such as funding, site control, etc., needed to implement the proposed activity are available and ready. Maximum points will be given to activities that are ready to move forward quickly. These criteria take into consideration factors that may accelerate or slow down the ability to implement the activity in a timely manner.

6. Experience and Past Performance: Maximum of ___ Points

The experience of the applicant, including the length of time in business and experience in undertaking projects of similar complexity as the one for which funds are being requested, will be evaluated.

In addition, the applicant will be evaluated in terms of its past performance in relation to any local, state, or Federal funding program. The past performance will refer to attainment of objectives in a timely manner and expenditure of funds at a reasonable rate in compliance with contract. Compliance with the contract will include but not be limited to submission of reports and adherence to the scope of services.

For those applicants that have not received CDBG funding from HCD in the past, allocation of points up to the maximum of ___ points will be awarded, dependent upon thorough documentation of similar past performances submitted with the application.

7. Leveraging Funds: Maximum of ___ Combined Points

a. Efforts to Secure Other Funding: Maximum of ___ Points

Points will be awarded based on the applicant's efforts to secure other funding for the activity.

b. Leveraging: Maximum of ___ Points

Points will be awarded based on the ratio of the amount of eligible leveraging funds to the amount of CDBG funds requested:

1.1 or more	___ Points
.75-1	___ Points
.50-1	___ Points
.25-1	___ Points
less than .25	___ Points

8. Environmental Justice: Maximum of ___ Points

Applications will receive points if the activity promotes environmental justice. Any activity that has a potential adverse impact on the environment or that is adversely affected by the surrounding environment will not be considered.

9. Application Completeness: Maximum of ___ Points

Applications will receive up to ___ bonus points, based on completeness. Applications that have not been signed will not be considered.

TOTAL POINTS: ___

Meets or Exceeds Minimum Total Point Score ___

Does Not Meet Minimum Total Point Score ___

RISK ANALYSIS MATRIX

The following list identifies factors that grantees may use to rank the degree of risk associated with a potential subrecipient or application submitted for funding. Grantees may develop ranking and rating criteria based on risk analysis as part of the process for the selection of subrecipients.

Project: _____

Rate each factor as high, medium, or low degree of risk

Risk Factor	Degree of Risk	Comment
Complexity		
Size of dollar amount requested		
Use of funds		
For construction or rehab		
For operation of facility		
For program only		
Type of Organization Requesting Funding		
Non-profit		
For-profit (570.201(o))		
Governmental Agency		
Housing Project		
New construction		
Rehabilitation		
Single unit/multi-unit		
Number of units		
Subrecipient's prior experience with this size and type project		
Economic Development		
Complexity of project		
Number of jobs to be created or retained		
Area benefit		
Providing direct grants and loans		
Providing technical assistance		
Subrecipient's prior experience		
Potential Environmental Concerns		
Degree of complexity		
E.I.S. needed		
Other Type of Project		
Degree of experience carrying out similar type project		
Other sources of funds indicated, but not committed		
Other funds committed		
CDBG funds only		

Risk Factor	Degree of Risk	Comment
Type of Assistance		
Grant		
Loan		
Float Loan		
Ability to repay within necessary time frame		
Program Income		
To be retained to continue with the same activity		
To be retained for a different activity		
To be returned to grantee		
Subrecipient Organization		
Newly created entity		
Well established, but no prior CDBG or Federal experience		
Prior experience with CDBG or other Federal programs		
No independent source of funding, i.e., general fundraising		
Subrecipient History, If Previously Funded		
Ability to deliver project within budget and on schedule		
Ability to anticipate and overcome past problems		
Any past monitoring issues raised		
Any special contract conditions needed		
Staffing		
Staff experienced with this type activity		
Have sufficient staff to carry out project or must hire		
Entity has significant staff turnover		
Recent Problems		
Unresolved monitoring findings		
Citizen complaints		

CHAPTER 3

SUBRECIPIENT AGREEMENTS

CONTENTS	PAGE
Introduction.....	3-2
Importance of Subrecipient Agreements.....	3-2
Minimum Subrecipient Agreement Requirements.....	3-2
Drafting your Subrecipient Agreement.....	3-3
Common Problems with Subrecipient Agreements.....	3-4
Use of your Subrecipient Agreement as a Management Tool	3-5
Use of your Subrecipient Agreement as a Training Tool	3-5
Conclusion	3-6

RESOURCES	
Subrecipient Agreement Checklist.....	3-7
Citations for the Basic Elements of a Subrecipient Agreement	3-8
Other Program Requirements	3-9
Sample Subrecipient Agreement	3-10
Documentation to be Maintained	3-30
Example #1: Sample Scope of Services for Public Service Activities	3-33
Example #2: Sample Scope of Services/Schedule of Payment for Housing Rehabilitation Activities.....	3-35
Example #3: Sample Scope of Services for Special Economic Development Job Creation Activities	3-40

INTRODUCTION

A key element of your CDBG program, Subrecipient Agreements are essential management tools for measuring your subrecipients' performance and regulatory compliance. They are also useful in teaching or reminding subrecipients about their performance objectives, methods, and administrative responsibilities.

IMPORTANCE OF SUBRECIPIENT AGREEMENTS

The assessments outlined in [Chapter 2](#) and the Subrecipient Agreements discussed here provide you with the primary documentation you need to monitor your subrecipient activities. If these documents are weak, missing, or out of date, you may not be able to administer your program effectively.

A well-crafted Subrecipient Agreement will help you:

- Identify the rules and regulations your subrecipient must follow and conditions for funding,
- Measure the progress of your subrecipient, and
- Train your staff and your subrecipient.

MINIMUM SUBRECIPIENT AGREEMENT REQUIREMENTS

You must prepare and execute a written Subrecipient Agreement before dispersing CDBG funds to your subrecipient and before your subrecipient begins any activity ([24 CFR 570.503 \(a\)](#)). The Resources section of this Guide includes a [Subrecipient Agreement Checklist](#) of the provisions you must incorporate into your agreement and detailed information on specific regulatory requirements of the agreement (see [Documentation to be Maintained](#) in the Resources section).

At a minimum, the agreement must include the following provisions (in accordance with [24 CFR 570.503\(b\)](#)):

Statement of work. A detailed narrative description of specific CDBG-funded activities, deliverables, and the timeline for its completion. This description should include:

- The purpose and nature of the activities,
- A narrative description of the activity (often referred to as a scope of work or scope of services),
- The individual tasks required to complete these activities,
- Quantitative measures to gauge the progress and the success of each activity, and
- A schedule establishing deadlines for identified tasks and completion of the activities.

Budget. A detailed line-item budget identifying activity and administrative costs.

Records and reports. Specific information on the records your subrecipient must maintain, including time periods for retention and required reports and reporting deadlines ([24 CFR 570.506](#)).

Program income. An explanation of how you will treat any income generated by the funded activity. If your subrecipient will retain any program income, the agreement must ([24 CFR 570.504\(c\)](#)):

- Specify the activities it can undertake with these funds,
- State that all provisions of the agreement apply to activities funded with program income,
- Clarify at what point you will disperse additional CDBG funds to them, and
- Require the return of any remaining program income when the agreement expires.

Suspension and termination. How and when you will end the agreement or initiate other remedies for noncompliance if your subrecipient materially fails to:

- Comply with any of the rules, regulations, or provisions of the agreement;

- Fulfill its obligations in a timely manner;
- Effectively or properly use funds or program income; or

Submit accurate or complete reports ([24 CFR 570.501\(b\)](#); [2 CFR 200.326 \(Appendix II, paragraph B\)](#)).

Reversion of assets. How and when your subrecipient must transfer remaining CDBG funds and accounts receivable to you when the agreement ends and how to use or dispose of real property acquired or improved with CDBG funds in excess of \$25,000. ([24 CFR 570.503\(b\)\(7\)](#)).

Prohibition of religious activities. Reference to regulations prohibiting the use of funds for inherently religious activities ([24 CFR 570.200\(j\)](#)).

Uniform administrative requirements. Federal administrative and financial management requirements and standards. These provisions will vary depending upon the nature of your subrecipient ([2 CFR 200](#)) and relevant OMB circulars and Executive Orders).

Other regulatory requirements. Your agreement must also require compliance with other federal regulations specific to the activity ([24 CFR 570 Subpart K](#)). These include, among others, regulations governing:

- Labor standards;
- Conflicts of interest;
- Displacement, relocation, acquisition, and replacement of housing;
- Use of debarred, suspended, or ineligible contractors or subrecipients; and/or
- The Architectural Barriers Act and the Americans with Disabilities Act.

Your agreement cannot require your subrecipient to assume your environmental review responsibilities or the responsibility for initiating the environmental review process.

DRAFTING YOUR SUBRECIPIENT AGREEMENT

Tailor your agreement to the specific program or project your subrecipient will carry out. The Resources section of this Guide includes a listing of the specific regulations you must reference in your agreement and other program requirements (see [Citations for the Basic Elements of a Subrecipient Agreement](#) and [Other Program Requirements](#)).

- Include information about the eligible activity and the national objective it addresses.
- Incorporate only those regulatory requirements that apply to the specific use of the funds.
- Add provisions which, based on your pre-award assessment, will reduce the risk of noncompliance by your subrecipient and ensure that you can meet your performance and financial reporting requirements.

You are responsible for verifying that your subrecipient achieves its objectives and does so in a timely manner. When drafting your Subrecipient Agreements, be sure to describe the objectives for each activity and the specific tasks needed to achieve those objectives. Include measurable objectives and deadlines that will allow you to determine whether the promised services are complete and delivered on time.

Subrecipient agreements must satisfy both federal award requirements as well as state and local laws. Ask your attorney to review your agreement before sharing it with your subrecipient.

No matter how carefully you craft your agreement, be prepared to revise the document to address loopholes or unanticipated problems. Incorporate these changes into the existing agreement or revise the agreement before executing a new one.

Before finalizing your Subrecipient Agreement, verify that it covers the CDBG program requirements detailed in [24 CFR 570](#). Include the provisions of [Subpart J \(24 CFR 570.500–570.513\)](#), which address general responsibilities for grant administration. Other federal requirements that may apply to your subrecipient’s CDBG-funded activities and which must be incorporated in your agreement are laid out in [Subpart K \(24 CFR 570.600–570.613\)](#).

Sample Subrecipient Agreements

The Resources section of this Guide includes a [Sample Subrecipient Agreement](#) as well as [Sample Scope of Services](#). You may use them as a starting point for developing your Subrecipient Agreement or as a benchmark for evaluating the adequacy of your existing agreement. Keep in mind, however, that because state and local laws differ, you may need to change the agreement to fit your local requirements.

You can attach the applicable regulations to the agreement or incorporate them into the text of the agreement.

COMMON PROBLEMS WITH SUBRECIPIENT AGREEMENTS

Two of the most common—and preventable—mistakes grantees make relative to their Subrecipient Agreements are:

- Not having a signed agreement in place prior to the disbursement of funds; and
- Failing to include all applicable regulatory and legal requirements.

The development of an inadequate or non-compliant agreement is not only a violation of CDBG regulations, but it can affect your ability to effectively administer your program. For example, if one of your subrecipients spends funds improperly and you do not have a signed agreement or your agreement is silent on the matter, you may have no legal recourse for recovering the funds.

Not all problems associated with Subrecipient Agreements are explicit violations of program regulations. They can, however, reflect inadequate management controls or business practices.

Subrecipient Compensation Not Tied to Measurable Performance

It is critical that the disbursement of funds to your subrecipients is based on measurable objectives (such as numbers of housing units inspected, buildings rehabilitated, or clients assisted). If you do not base your funds on these, you run a significant risk of your subrecipient spending its entire grant award before it has achieved its work objectives.

You can avoid this problem by linking your disbursement of grant funds to specific performance measures in your Subrecipient Agreement.

Subrecipients Not Familiar With the Conditions of the Agreement

It is not uncommon for subrecipients to excuse their failure to comply with program requirements by saying they did not understand the terms and conditions of the agreement. A lack of understanding does not excuse you or your subrecipient from the consequences of a mistake.

Be sure to review the terms and conditions of the agreement with your subrecipient, including key officials and staff, at the beginning of the project. While this will not guarantee compliance with the requirements included in your Subrecipient Agreement, it is a good start.

Amendments Not Formalized When Conditions Change

Even if you have an excellent Subrecipient Agreement in place and a good working relationship with your subrecipient, amendments may be necessary. Neglecting to amend the agreement to reflect changes in the activity undertaken by your subrecipient places you both at risk. For example:

- The agreement may no longer be an effective tool for monitoring and enforcing performance standards.
- The agreement may continue to legally bind your subrecipient to obligations you have informally agreed are no longer applicable.

The prompt and formal amendment of your Subrecipient Agreement will avoid these challenges.

Agreements Not Updated Yearly

Program regulations may change over time. A current subrecipient may receive funds for a new activity with additional regulatory requirements. You may have found inadequacies in the basic agreement used by your program. Each of these scenarios reflects a need to update and execute a new or amended agreement with your current and returning subrecipients.

It is a good practice to update and execute written agreements with your subrecipients on an annual basis.

USE OF YOUR SUBRECIPIENT AGREEMENT AS A MANAGEMENT TOOL

It is tempting to view the agreement as a bureaucratic and legalistic effort to protect you and HUD, and to undermine the autonomy of your subrecipients. It is not.

The Subrecipient Agreement provides you with a mechanism for verifying regulatory compliance and monitoring program performance. Refer to it throughout the term of the agreement, not just at the beginning or end of the grant award.

USE OF YOUR SUBRECIPIENT AGREEMENT AS A TRAINING TOOL

The Subrecipient Agreement can play an integral role in the orientation and training of both new and current subrecipients.

You can use the agreement to teach subrecipient staff who are not familiar with CDBG and federal administrative and fiscal requirements how to follow these key administrative provisions. This is also an ideal time to reinforce the program's Integrated Disbursement and Information System (IDIS) data collection requirements.

The agreement will also prove helpful when working with your current subrecipients. Reviewing the provisions of the document at the beginning of the program year is especially important if the organization has experienced any operational difficulties in the past. Discuss the specific steps the subrecipient must take to solve its earlier problems and specify a schedule for implementing these actions.

Review the terms and conditions of the agreement, line by line, with your subrecipient's key officials and staff at the beginning of each program year, regardless of how familiar they are with the CDBG program. Make the time to include the Board of Directors in these discussions. Depending on the organization's by-laws, Board Members may be the only individuals who are legally empowered to sign the agreement and who have the responsibility to ensure compliance regardless of changes in the organization's staff.

CONCLUSION

NOTES

In this chapter, you learned how to develop effective Subrecipient Agreements and use them to manage your program.

You should now be able to:

- Draft comprehensive Subrecipient Agreements.
- Avoid common drafting problems.
- Use your agreement to manage your subrecipients' performance.
- Use the agreement to educate new and returning subrecipients.

SUBRECIPIENT AGREEMENT CHECKLIST

The recommended provisions for a written Agreement between grantees and subrecipients (subgrantees) include the following provisions (irrespective of activity):

1. National Objective Compliance/Eligibility
2. Scope/Statement of Work
3. Time of Performance
4. Personnel Assigned to Scope/Statement of Work
5. Levels of Performance
6. Budget
7. Project Schedule/Milestones
8. Compensation and Method of Payment
9. Program Income
10. Record-Keeping Requirements
11. Reporting Requirements
12. Public Access to Program Records
13. Record Retention
14. Grant Closeout Procedures
15. Uniform Administrative and Program Management Standards
16. Use and Reversion of Assets
17. Real Property
18. Other Program Requirements
19. Suspension and Termination
20. Compliance with Laws/Regulations
21. Antidiscrimination/Affirmative Action and Equal Employment Opportunity
22. Financial Management
23. Audits
24. Religious and Lobbying Activities
25. Budget Modifications
26. Monitoring
27. Conflict of Interest
28. Procurement Standards and Methods
29. Environmental Issues

The format and specific language of each Agreement could vary substantially, depending on the legal requirements of each state.

CITATIONS FOR THE BASIC ELEMENTS OF A SUBRECIPIENT AGREEMENT

Provisions	24 CFR 570	2 CFR 200	Other Federal Regulations
1. National Objective Compliance/ Eligibility	570.200(a)(1)+(2), 570.201–570.209, 570.506		
2. Scope of Work	570.503		
3. Time of Performance	570.503		
4. Compensations and Method of Payment	570.502	200.305	
5. Program Income	570.500(a), 570.502(a)(3), 570.503(b)(3), 570.504		
6. Record-Keeping Requirements	570.502(a)(7), 570.506	200.333-335	
7. Reporting Requirements	570.502, 570.507	200.327-329	24 CFR 91.520
8. Public Access to Program Records	570.502, 570.508	200.336-337	
9. Grant Closeout Procedures	570.502, 570.509	200.343-345	
10. Uniform Administrative and Program Management Standards	570.502, 570.503(b)(4), 570.610	200.101-102	2 CFR 200
11. Reversion of Assets	570.502(a)(7), 570.503(b)(7), 570.505		
12. Real Property	570.502(a)(7), 570.503(b)(7), 570.505		
13. Other Program Requirements	570.503(b)(5), 570.600–603, 570.605–614		
14. Termination	570.502(a)(7), 570.503 (b)(6)	200.339	
15. Compliance with Laws/Regulations	570.501(b), 570.503(b)(5)	200.302(a), 303	
16. Antidiscrimination/Affirmative Action and EEO	570.601, 570.602, 570.607	200.300, 200.321	
17. Financial Management	570.502, 570.610	200.302-305, 200.327,	
18. Audits	570.502, 570.610	200.501	
19. Religious and Political Activities	570.200(j), 570.207		
20. Budget Modifications	570.502(a)(4), 570.503(b)(1)		
21. Monitoring	570.501(b), 570.503(b)(1)	200.328, 331	
22. Conflict of Interest	570.611	200.112, 318	
23. Procurement Methods	570.502	200.218-326	
24. Budget	570.503		
25. Project Schedule/Milestones	570.503		
26. Environmental Review	570.503(b)(3)(1)		

OTHER PROGRAM REQUIREMENTS

Requirements	Federal Regulations	Other References
1. Federal Labor Standards <ul style="list-style-type: none"> • Davis-Bacon • Copeland Act (Anti-kickback) • Contract Work Hours and Safety Standards 	24 CFR 570.603 29 CFR 1, 3, and 5	Section 110, Housing and Community Development Act of 1974 (HCDA); 40 U.S.C. 276a-276a-5 ; 40 U.S.C. 276c ; 40 U.S.C. 327 et seq.
2. Equal Employment Opportunity	24 CFR 570.601–602 24 CFR 570.607 41 CFR 60	Executive Orders 11246 and 12086 , 12 U.S.C. 1701u
3. List of Debarred or Ineligible Contractors	24 CFR 570.609 24 CFR 24	
4. Non-Discrimination	24 CFR 8 24 CFR 570.601 24 CFR 570.602	Section 504 of Rehab. Act of 1973 , Americans with Disabilities Act of 1990 , Exec. Order 11063
5. Fire Safety Codes		Local
6. Building, Housing, and Zoning Codes; Housing Quality Standards	24 CFR 570.208(b)(1)(iv) and (b)(2)	Local
7. Lead-Based Paint	24 CFR 570.608 24 CFR 35	42 U.S.C. 4821 et seq.
8. Lump Sum Drawdowns	24 CFR 570.513	
9. Environmental/Historic Preservation/ National Environmental Policy Act/ Flood Insurance Requirements <ul style="list-style-type: none"> • Siting Near Airports and Coastal Barrier Resources • Fish and Wildlife Protection • Flood Plain • National Historic Preservation • Noise Abatement & Control • Wetlands • Air Quality • Coastal Zones • Endangered Species • Thermal/Explosive Hazards • Flood Insurance 	24 CFR 570.503(b)(5)(i) 24 CFR 570.604 24 CFR 570.202 24 CFR 58 24.CFR 58.5 24 CFR 570.605 24 CFR 58.6	Sec. 104(g), HCDA 42 U.S.C. 4001 et seq.
10. Relocation, Real Property Acquisition, and One-for-One Housing Replacement <ul style="list-style-type: none"> • Uniform Relocation Act • Residential anti-displacement and relocation assistance • One-for-One Replacement 	24 CFR 570.201(i) 24 CFR 570.606 49 CFR 24 24 CFR 570.606(c)(1)	Sec. 104(d) and 105(a)(11) of HCDA, www.hud.gov/relocation
11. Definition of Computation of Units of Services	24 CFR 570.503(b)(1)	IDIS instructions
12. Section 108 Loan Guarantees	24 CFR 570.700–570.709	Sec. 108 of HCDA
13. Applicable Credits		A-87

SAMPLE SUBRECIPIENT AGREEMENT



Starting on the following page is a sample subrecipient agreement. Items I – VI generally relate to the specific project or activities being funded. Items VII – XV are “boilerplate” requirements applicable to all activities undertaken with CDBG funds.

Following the sample agreement are sample statements of work narratives (often referred to as a Scope of Work or Scope of Services) for three different types of activities: public services, housing rehabilitation, and special economic development, job creation activities, which could be inserted in the sample agreement. Note that each of these three samples indicate the number of intended beneficiaries or measurement units for performance. Some of these examples also include additional language regarding budgets, method of payments, and other applicable requirements.

SAMPLE SUBRECIPIENT AGREEMENT
AGREEMENT BETWEEN [Grantee]
AND
[Non-Governmental Subrecipient]
FOR
[NAME OF CDBG PROGRAM]

THIS AGREEMENT, entered this ____ day of _____, 20____ by and between the _____ (herein called the "Grantee") and _____ (herein called the "Subrecipient").

WHEREAS, the Grantee has applied for and received funds from the United States Government under Title I of the Housing and Community Development Act of 1974, as amended (HCD Act), Public Law 93-383; and

WHEREAS, the Grantee wishes to engage the Subrecipient to assist the Grantee in utilizing such funds;

NOW, THEREFORE, it is agreed between the parties hereto that;

I. SCOPE OF SERVICE

A. Activities

The Subrecipient will be responsible for administering a CDBG Year [] [Name of Program] in a manner satisfactory to the Grantee and consistent with any standards required as a condition of providing these funds. Such program will include the following activities eligible under the Community Development Block Grant program:

Program Delivery

Activity #1 [Complete description of activity to be undertaken including what products or services are to be performed, where they are to be provided, for whom they are to be provided, how they are to be provided]

Activity #2 [Same description as above]

Activity #3 [Same description as above]

General Administration

[Add description of general administrative services to be performed in support of activities noted above]

B. National Objectives

All activities funded with CDGB funds must meet one of the CDBG program's National Objectives: benefit low- and moderate-income persons; aid in the prevention or elimination of slums or blight; or meet community development needs having a particular urgency, as defined in 24 CFR 570.208.

The Subrecipient certifies that the activity (ies) carried out under this Agreement will meet (indicate which National Objective). Briefly describe how this National Objective will be met.

C. Levels of Accomplishment – Goals and Performance Measures

The levels of accomplishment may include such measures as units rehabbed, persons or households assisted, or meals served, and should also include time frames for performance.

The Subrecipient agrees to provide the following levels of program services:

<u>Activity</u>	<u>Units per Month</u>	<u>Total Units/Year</u>
Activity #1	[# of Units]	[# of Units]
Activity #2	[# of Units]	[# of Units]
Activity #3	[# of Units]	[# of Units]

[Add other activities as necessary]

[NOTE: Provide definition of Units of Service here.]

D. Staffing

[Provide list of staff and time commitments to be allocated to each activity specified in I.A. above.]

A Grantee might include the following provision if it felt among the Subrecipient's staff only certain personnel had the requisite experience to implement the activity, or if the Subrecipient had a history of reassigning responsibilities that tended to create problems.

"Any changes in the Key Personnel assigned or their general responsibilities under this project are subject to the prior approval of the Grantee."

E. Performance Monitoring

The Grantee will monitor the performance of the Subrecipient against goals and performance standards as stated above. Substandard performance as determined by the Grantee will constitute noncompliance with

this Agreement. If action to correct such substandard performance is not taken by the Subrecipient within a reasonable period of time (e.g., 30 days) after being notified by the Grantee, contract suspension or termination procedures will be initiated.

II. TIME OF PERFORMANCE

Services of the Subrecipient shall start on the ___ day of _____, 20__ and end on the _____ day of 20__. The term of this Agreement and the provisions herein shall be extended to cover any additional time period during which the Subrecipient remains in control of CDBG funds or other CDBG assets, including program income.

III. BUDGET

<u>Line Item</u>	<u>Amount:</u>
Salaries	\$_____
Fringe	_____
Office Space (Program only)	_____
Utilities	_____
Communications	_____
Reproduction/Printing	_____
Supplies and Materials	_____
Mileage	_____
Audit	_____
Other (Specify)	_____
Indirect Costs (Specify)	_____
 TOTAL	 \$_____

Any indirect costs charged must be consistent with the conditions of Paragraph VIII (C)(2) of this Agreement. In addition, the Grantee may require a more detailed budget breakdown than the one contained herein, and the Subrecipient shall provide such supplementary budget information in a timely fashion in the form and content prescribed by the Grantee. Any amendments to the budget must be approved in writing by both the Grantee and the Subrecipient.

IV. PAYMENT

It is expressly agreed and understood that the total amount to be paid by the Grantee under this Agreement shall not exceed \$_____. Drawdowns for the payment of eligible expenses shall be made against the line item budgets specified in Paragraph III herein and in accordance with performance. Expenses for general administration shall also be paid against the line item budgets specified in Paragraph III and in accordance with performance.

Payments may be contingent upon certification of the Subrecipient's financial management system in accordance with the standards specified in 2 CFR 200.

V. NOTICES

Notices required by this Agreement shall be in writing and delivered via mail (postage prepaid), commercial courier, or personal delivery or sent by facsimile or other electronic means. Any notice delivered or sent as aforesaid shall be effective on the date of delivery or sending. All notices and other written communications under this Agreement shall be addressed to the individuals in the capacities indicated below, unless otherwise modified by subsequent written notice.

Communication and details concerning this contract shall be directed to the following contract representatives:

GranteeSubrecipient

_____, Manager

_____, Exec. Director

Grantee _____ Subrecipient _____

[Address] _____ [Address] _____

[City, State, ZIP] _____ [City, State, ZIP] _____

[Telephone] _____ [Telephone] _____

[Email] _____ [Email] _____

Website _____ Website _____

VI. SPECIAL CONDITIONS

[This section of the Agreement can be used by Grantee to include special conditions specific to the particular activity or individual Subrecipient.]

VII. GENERAL CONDITIONS**A. General Compliance**

The Subrecipient agrees to comply with the requirements of Title 24 of the Code of Federal Regulations, Part 570 (the U.S. Housing and Urban Development regulations concerning Community Development Block Grants (CDBG)) including subpart K of these regulations, except that (1) the Subrecipient does not assume the recipient's environmental responsibilities described in 24 CFR 570.604 and (2) the Subrecipient does not assume the recipient's responsibility for initiating the review process under the provisions of 24 CFR 52. The Subrecipient also agrees to comply with all other applicable Federal, state and local laws, regulations, and policies governing the funds provided under this contract. The Subrecipient further agrees to utilize funds available under this Agreement to supplement rather than supplant funds otherwise available.

B. "Independent Contractor"

Nothing contained in this Agreement is intended to, or shall be construed in any manner, as creating or establishing the relationship of employer/employee between the parties. The Subrecipient shall at all times remain an "independent contractor" with respect to the services to be performed under this Agreement. The Grantee shall be exempt from payment of all Unemployment Compensation, FICA, retirement, life and/or medical insurance and Workers' Compensation Insurance, as the Subrecipient is an independent contractor.

C. Hold Harmless

The Subrecipient shall hold harmless, defend and indemnify the Grantee from any and all claims, actions, suits, charges and judgments whatsoever that arise out of the Subrecipient's performance or nonperformance of the services or subject matter called for in this Agreement.

D. Workers' Compensation

The Subrecipient shall provide Workers' Compensation Insurance coverage for all of its employees involved in the performance of this Agreement.

E. Insurance & Bonding

The Subrecipient shall carry sufficient insurance coverage to protect contract assets from loss due to theft, fraud and/or undue physical damage, and as a minimum shall purchase a blanket fidelity bond covering all employees in an amount equal to cash advances from the Grantee.

The Subrecipient shall comply with the bonding and insurance requirements of 2 CFR 200, Bonding and Insurance.

F. Grantee Recognition

The Subrecipient shall insure recognition of the role of the Grantee in providing services through this Agreement. All activities, facilities and items utilized pursuant to this Agreement shall be prominently labeled as to funding source. In addition, the Subrecipient will include a reference to the support provided herein in all publications made possible with funds made available under this Agreement.

G. Amendments

The Grantee or Subrecipient may amend this Agreement at any time provided that such amendments make specific reference to this Agreement, and are executed in writing, signed by a duly authorized representative of each organization, and approved by the Grantee's governing body. Such amendments shall not invalidate this Agreement, nor relieve or release the Grantee or Subrecipient from its obligations under this Agreement.

The Grantee may, in its discretion, amend this Agreement to conform with Federal, state or local governmental guidelines, policies and available funding amounts, or for other reasons. If such amendments result in a change in the funding, the scope of services, or schedule of the activities to be undertaken as part of this Agreement, such modifications will be incorporated only by written amendment signed by both Grantee and Subrecipient.

H. Suspension or Termination

In accordance with 2 CFR 200, the Grantee may suspend or terminate this Agreement if the Subrecipient materially fails to comply with any terms of this Agreement, which include (but are not limited to) the following:

1. Failure to comply with any of the rules, regulations or provisions referred to herein, or such statutes, regulations, executive orders, and HUD guidelines, policies or directives as may become applicable at any time;
2. Failure, for any reason, of the Subrecipient to fulfill in a timely and proper manner its obligations under this Agreement;
3. Ineffective or improper use of funds provided under this Agreement; or
4. Submission by the Subrecipient to the Grantee reports that are incorrect or incomplete in any material respect.

In accordance with 2 CFR 200, this Agreement may also be terminated for convenience by either the Grantee or the Subrecipient, in whole or in part, by setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion to be terminated. However, if in the case of a partial termination, the Grantee determines that the remaining portion of the award will not accomplish the purpose for which the award was made, the Grantee may terminate the award in its entirety.

VIII. **ADMINISTRATIVE REQUIREMENTS**

A. **Financial Management**

1. **Accounting Standards**

The Subrecipient agrees to comply with 2 CFR 200 and agrees to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

2. **Cost Principles**

The Subrecipient shall administer its program in conformance with 2 CFR 200 as applicable. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

B. **Documentation and Record Keeping**

1. **Records to be Maintained**

The Subrecipient shall maintain all records required by the Federal regulations specified in 24 CFR 570.506, that are pertinent to the activities to be funded under this Agreement. Such records shall include but not be limited to:

- α. Records providing a full description of each activity undertaken;
- β. Records demonstrating that each activity undertaken meets one of the National Objectives of the CDBG program;
- γ. Records required to determine the eligibility of activities;
- δ. Records required to document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance;
- ε. Records documenting compliance with the fair housing and equal opportunity components of the CDBG program;
- φ. Financial records as required by 24 CFR 570.502, and 2 CFR 200; and
- g. Other records necessary to document compliance with Subpart K of 24 CFR 570.

2. **Retention**

The Subrecipient shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement for a period of four (4) years. The retention period begins on the date of the submission of the Grantee's annual performance and evaluation report to HUD in which the activities assisted under the Agreement are reported on for the final time. Notwithstanding the above, if there is litigation, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the four-year period, then such records

must be retained until completion of the actions and resolution of all issues, or the expiration of the four-year period, whichever occurs later.

3. Client Data

The Subrecipient shall maintain client data demonstrating client eligibility for services provided. Such data shall include, but not be limited to, client name, address, income level or other basis for determining eligibility, and description of service provided. Such information shall be made available to Grantee monitors or their designees for review upon request.

4. Disclosure

The Subrecipient understands that client information collected under this contract is private and the use or disclosure of such information, when not directly connected with the administration of the Grantee's or Subrecipient's responsibilities with respect to services provided under this contract, is prohibited by the [insert applicable State or Federal law] unless written consent is obtained from such person receiving service and, in the case of a minor, that of a responsible parent/guardian.

5. Close-outs

The Subrecipient's obligation to the Grantee shall not end until all close-out requirements are completed. Activities during this close-out period shall include, but are not limited to: making final payments, disposing of program assets (including the return of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivable to the Grantee), and determining the custodianship of records. Notwithstanding the foregoing, the terms of this Agreement shall remain in effect during any period that the Subrecipient has control over CDBG funds, including program income.

6. Audits & Inspections

All Subrecipient records with respect to any matters covered by this Agreement shall be made available to the Grantee, grantor agency, and the Comptroller General of the United States or any of their authorized representatives, at any time during normal business hours, as often as deemed necessary, to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the Subrecipient within 30 days after receipt by the Subrecipient. Failure of the Subrecipient to comply with the above audit requirements will constitute a violation of this contract and may result in the withholding of future payments. The Subrecipient hereby agrees to have an annual agency audit conducted in accordance with current Grantee policy concerning subrecipient audits and 2 CFR 200.

C. Reporting and Payment Procedures

1. Program Income

The Subrecipient shall report [insert frequency of reports, e.g., "monthly"] all program income (as de-

financed at 24 CFR 570.500(a)) generated by activities carried out with CDBG funds made available under this contract. The use of program income by the Subrecipient shall comply with the requirements set forth at 24 CFR 570.504. By way of further limitations, the Subrecipient may use such income during the contract period for activities permitted under this contract and shall reduce requests for additional funds by the amount of any such program income balances on hand. All unexpended program income shall be returned to the Grantee at the end of the contract period. Any interest earned on cash advances from the U.S. Treasury and from funds held in a revolving fund account is not program income and shall be remitted promptly to the Grantee.

2. Indirect Costs

If indirect costs are charged, the Subrecipient will develop an indirect cost allocation plan for determining the appropriate Subrecipient's share of administrative costs and shall submit such plan to the Grantee for approval, in a form specified by the Grantee.

3. Payment Procedures

The Grantee will pay to the Subrecipient funds available under this Agreement based upon information submitted by the Subrecipient and consistent with any approved budget and Grantee policy concerning payments. With the exception of certain advances, payments will be made for eligible expenses actually incurred by the Subrecipient, and not to exceed actual cash requirements. Payments will be adjusted by the Grantee in accordance with advance fund and program income balances available in Subrecipient accounts. In addition, the Grantee reserves the right to liquidate funds available under this contract for costs incurred by the Grantee on behalf of the Subrecipient.

4. Progress Reports

The Subrecipient shall submit regular Progress Reports to the Grantee in the form, content, and frequency as required by the Grantee.

D. Procurement

1. Compliance

The Subrecipient shall comply with current Grantee policy concerning the purchase of equipment and shall maintain inventory records of all non-expendable personal property as defined by such policy as may be procured with funds provided herein. All program assets (unexpended program income, property, equipment, etc.) shall revert to the Grantee upon termination of this Agreement.

2. OMB Standards

Unless specified otherwise within this agreement, the Subrecipient shall procure all materials, property, or services in accordance with the requirements of 2 CFR 200.

3. Travel

The Subrecipient shall obtain written approval from the Grantee for any travel outside the metropolitan area with funds provided under this Agreement.

E. Use and Reversion of Assets

The use and disposition of real property and equipment under this Agreement shall be in compliance with the requirements of 2 CFR 200 and 24 CFR 570.502, 570.503, and 570.504, as applicable, which include but are not limited to the following:

1. The Subrecipient shall transfer to the Grantee any CDBG funds on hand and any accounts receivable attributable to the use of funds under this Agreement at the time of expiration, cancellation, or termination.
2. Real property under the Subrecipient's control that was acquired or improved, in whole or in part, with funds under this Agreement in excess of \$25,000 shall be used to meet one of the CDBG National Objectives pursuant to 24 CFR 570.208 until five (5) years after expiration of this Agreement [or such longer period of time as the Grantee deems appropriate]. If the Subrecipient fails to use CDBG-assisted real property in a manner that meets a CDBG National Objective for the prescribed period of time, the Subrecipient shall pay the Grantee an amount equal to the current fair market value of the property less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, or improvement to, the property. Such payment shall constitute program income to the Grantee. The Subrecipient may retain real property acquired or improved under this Agreement after the expiration of the five-year period [or such longer period of time as the Grantee deems appropriate].
3. In all cases in which equipment acquired, in whole or in part, with funds under this Agreement is sold, the proceeds shall be program income (prorated to reflect the extent to that funds received under this Agreement were used to acquire the equipment). Equipment not needed by the Subrecipient for activities under this Agreement shall be (a) transferred to the Grantee for the CDBG program or (b) retained after compensating the Grantee [an amount equal to the current fair market value of the equipment less the percentage of non-CDBG funds used to acquire the equipment].

IX. RELOCATION, REAL PROPERTY ACQUISITION AND ONE-FOR-ONE HOUSING REPLACEMENT

The Subrecipient agrees to comply with (a) the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA), and implementing regulations at 49 CFR 24 and 24 CFR 570.606(b); (b) the requirements of 24 CFR 570.606(c) governing the Residential Anti-displacement and Relocation Assistance Plan under section 104(d) of the HCD Act; and (c) the

requirements in 24 CFR 570.606(d) governing optional relocation policies. [The Grantee may preempt the optional policies.] The Subrecipient shall provide relocation assistance to displaced persons as defined by 24 CFR 570.606(b)(2) that are displaced as a direct result of acquisition, rehabilitation, demolition, or conversion for a CDBG-assisted project. The Subrecipient also agrees to comply with applicable Grantee ordinances, resolutions, and policies concerning the displacement of persons from their residences.

X. PERSONNEL & PARTICIPANT CONDITIONS**A. Civil Rights****1. Compliance**

The Subrecipient agrees to comply with [fill in local and state civil rights ordinances here] and with Title VI of the Civil Rights Act of 1964 as amended, Title VIII of the Civil Rights Act of 1968 as amended, Section 104(b) and Section 109 of Title I of the Housing and Community Development Act of 1974 as amended, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975, Executive Order 11063, and Executive Order 11246 as amended by Executive Orders 11375, 11478, 12107 and 12086.

2. Nondiscrimination

The Subrecipient agrees to comply with the non-discrimination in employment and contracting opportunities laws, regulations, and executive orders referenced in 24 CFR 570.607, as revised by Executive Order 13279. The applicable non-discrimination provisions in Section 109 of the HCDA are still applicable.

3. Land Covenants

This contract is subject to the requirements of Title VI of the Civil Rights Act of 1964 (P. L. 88-352) and 24 CFR 570.601 and 570.602. In regard to the sale, lease, or other transfer of land acquired, cleared, or improved with assistance provided under this contract, the Subrecipient shall cause or require a covenant running with the land to be inserted in the deed or lease for such transfer, prohibiting discrimination as herein defined, in the sale, lease or rental, or in the use or occupancy of such land, or in any improvements erected or to be erected thereon, providing that the Grantee and the United States are beneficiaries of and entitled to enforce such covenants. The Subrecipient, in undertaking its obligation to carry out the program assisted hereunder, agrees to take such measures as are necessary to enforce such covenant, and will not itself so discriminate.

4. Section 504

The Subrecipient agrees to comply with all Federal regulations issued pursuant to compliance with Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), which prohibits discrimination against individuals with disabilities or handicaps in any Federally assisted program. The Grantee shall provide the Subrecipient with any guidelines necessary for compliance with that portion of the regulations in force during the term of this Agreement.

B. Affirmative Action**1. Approved Plan**

The Subrecipient agrees that it shall be committed to carry out pursuant to the Grantee's specifications an Affirmative Action Program in keeping with the principles as provided in President's Executive Order 11246 of September 24, 1966. The Grantee shall provide Affirmative Action guidelines to the Subrecipient to assist in the formulation of such program. The Subrecipient shall submit a plan for an Affirmative Action Program for approval prior to the award of funds.

2. Women- and Minority-Owned Businesses (W/MBE)

The Subrecipient will use its best efforts to afford small businesses, minority business enterprises, and women's business enterprises the maximum practicable opportunity to participate in the performance of this contract. As used in this contract, the terms "small business" means a business that meets the criteria set forth in section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women's business enterprise" means a business at least fifty-one (51) percent owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. The Subrecipient may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

3. Access to Records

The Subrecipient shall furnish and cause each of its own subrecipients or subcontractors to furnish all information and reports required hereunder and will permit access to its books, records and accounts by the Grantee, HUD or its agent, or other authorized Federal officials for purposes of investigation to ascertain compliance with the rules, regulations, and provisions stated herein.

4. Notifications

The Subrecipient will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or worker's representative of the Subrecipient's commitments hereunder, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

5. Equal Employment Opportunity and Affirmative Action (EEO/AA) Statement

The Subrecipient will, in all solicitations or advertisements for employees placed by or on behalf of the Subrecipient, state that it is an Equal Opportunity or Affirmative Action employer.

6. Subcontract Provisions

The Subrecipient will include the provisions of Paragraphs X.A, Civil Rights, and B, Affirmative Action, in every subcontract or purchase order, specifically or by reference, so that such provisions will be binding upon each of its own subrecipients or subcontractors.

C. Employment Restrictions

1. Prohibited Activity

The Subrecipient is prohibited from using funds provided herein or personnel employed in the administration of the program for political activities; inherently religious activities; lobbying; political patronage; and nepotism activities.

2. Labor Standards

The Subrecipient agrees to comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended, the provisions of Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) and all other applicable Federal, state, and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of this Agreement. The Subrecipient agrees to comply with the Copeland Anti-Kick Back Act (18 U.S.C. 874 et seq.) and its implementing regulations of the U.S. Department of Labor at 29 CFR 5. The Subrecipient shall maintain documentation that demonstrates compliance with hour and wage requirements of this part. Such documentation shall be made available to the Grantee for review upon request.

The Subrecipient agrees that, except with respect to the rehabilitation or construction of residential property containing less than eight (8) units, all contractors engaged under contracts in excess of \$2,000.00 for construction, renovation, or repair work financed in whole or in part with assistance provided under this contract, shall comply with Federal requirements adopted by the Grantee pertaining to such contracts and with the applicable requirements of the regulations of the Department of Labor, under 29 CFR 1, 3, 5 and 7 governing the payment of wages and ratio of apprentices and trainees to journey workers; provided that, if wage rates higher than those required under the regulations are imposed by state or local law, nothing hereunder is intended to relieve the Subrecipient of its obligation, if any, to require payment of the higher wage. The Subrecipient shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of this paragraph.

3. "Section 3" Clause

a. Compliance

Compliance with the provisions of Section 3 of the HUD Act of 1968, as amended, and as implemented by the regulations set forth in 24 CFR 135, and all applicable rules and orders issued hereunder prior to the execution of this contract shall be a condition of the Federal financial assistance provided under this contract and binding upon the Grantee, the Subrecipient and any of the Subrecipient's subrecipients and subcontractors. Failure to fulfill these

requirements shall subject the Grantee, the Subrecipient, and any of the Subrecipient's sub-recipients and subcontractors, their successors and assigns, to those sanctions specified by the Agreement through which Federal assistance is provided. The Subrecipient certifies and agrees that no contractual or other disability exists that would prevent compliance with these requirements.

The Subrecipient further agrees to comply with these "Section 3" requirements and to include the following language in all subcontracts executed under this Agreement:

"The work to be performed under this Agreement is a project assisted under a program providing direct Federal financial assistance from HUD and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701). Section 3 requires that to the greatest extent feasible opportunities for training and employment be given to low- and very low-income residents of the project area, and that contracts for work in connection with the project be awarded to business concerns that provide economic opportunities for low- and very low-income persons residing in the metropolitan area in which the project is located."

The Subrecipient further agrees to ensure that opportunities for training and employment arising in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to low- and very low-income persons residing within the metropolitan area in which the CDBG-funded project is located; where feasible, priority should be given to low- and very low-income persons within the service area of the project or the neighborhood in which the project is located, and to low- and very low-income participants in other HUD programs; and award contracts for work undertaken in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project to business concerns that provide economic opportunities for low- and very low-income persons residing within the metropolitan area in which the CDBG-funded project is located; where feasible, priority should be given to business concerns that provide economic opportunities to low- and very low-income residents within the service area or the neighborhood in which the project is located, and to low- and very low-income participants in other HUD programs.

The Subrecipient certifies and agrees that no contractual or other legal incapacity exists that would prevent compliance with these requirements.

b. Notifications

The Subrecipient agrees to send to each labor organization or representative of workers with which it has a collective bargaining agreement or other contract or understanding, if any, a notice advising said labor organization or worker's representative of its commitments under this Section 3 clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.

c. Subcontracts

The Subrecipient will include this Section 3 clause in every subcontract and will take appropri-

ate action pursuant to the subcontract upon a finding that the subcontractor is in violation of regulations issued by the grantor agency. The Subrecipient will not subcontract with any entity where it has notice or knowledge that the latter has been found in violation of regulations under 24 CFR 135 and will not let any subcontract unless the entity has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.

D. Conduct

1. Assignability

The Subrecipient shall not assign or transfer any interest in this Agreement without the prior written consent of the Grantee thereto; provided, however, that claims for money due or to become due to the Subrecipient from the Grantee under this contract may be assigned to a bank, trust company, or other financial institution without such approval. Notice of any such assignment or transfer shall be furnished promptly to the Grantee.

2. Subcontracts

a. Approvals

The Subrecipient shall not enter into any subcontracts with any agency or individual in the performance of this contract without the written consent of the Grantee prior to the execution of such agreement.

b. Monitoring

The Subrecipient will monitor all subcontracted services on a regular basis to assure contract compliance. Results of monitoring efforts shall be summarized in written reports and supported with documented evidence of follow-up actions taken to correct areas of noncompliance.

c. Content

The Subrecipient shall cause all of the provisions of this contract in its entirety to be included in and made a part of any subcontract executed in the performance of this Agreement.

d. Selection Process

The Subrecipient shall undertake to ensure that all subcontracts let in the performance of this Agreement shall be awarded on a fair and open competition basis in accordance with applicable procurement requirements. Executed copies of all subcontracts shall be forwarded to the Grantee along with documentation concerning the selection process.

3. Hatch Act

The Subrecipient agrees that no funds provided, nor personnel employed under this Agreement, shall be in any way or to any extent engaged in the conduct of political activities in violation of Chapter 15 of Title V of the U.S.C.

4. Conflict of Interest

The Subrecipient agrees to abide by the provisions of 2 CFR 200 and 570.611, which include (but are not limited to) the following:

- a. The Subrecipient shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees, or agents engaged in the award and administration of contracts supported by Federal funds.
- b. No employee, officer, or agent of the Subrecipient shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.
- c. No covered persons who exercise or have exercised any functions or responsibilities with respect to CDBG-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-assisted activity, or with respect to the proceeds from the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a “covered person” includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Subrecipient, or any designated public agency.

5. Lobbying

The Subrecipient hereby certifies that:

- a. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
- b. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, “Disclosure Form to

Report Lobbying,” in accordance with its instructions; and

- c. It will require that the language of paragraph (d) of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all Subrecipients shall certify and disclose accordingly:
- d. Lobbying Certification

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

6. Copyright

If this contract results in any copyrightable material or inventions, the Grantee and/or grantor agency reserves the right to royalty-free, non-exclusive and irrevocable license to reproduce, publish, or otherwise use and to authorize others to use, the work or materials for governmental purposes.

7. Religious Activities

Title_____

The Subrecipient agrees that funds provided under this Agreement will not be utilized for inherently religious activities prohibited by 24 CFR 570.200(j), such as worship, religious instruction, or proselytization.

XI. ENVIRONMENTAL CONDITIONS

Title_____

A. Air and Water

The Subrecipient agrees to comply with the following requirements insofar as they apply to the performance of this Agreement:

- Clean Air Act, 42 U.S.C., 7401, et seq.;
- Federal Water Pollution Control Act, as amended, 33 U.S.C., 1251, et seq., as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder;
- Environmental Protection Agency (EPA) regulations pursuant to 40 CFR 50, as amended.

B. Flood Disaster Protection

In accordance with the requirements of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001), the Subrecipient shall assure that for activities located in an area identified by the Federal Emergency Management

Agency (FEMA) as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained as a condition of financial assistance for acquisition or construction purposes (including rehabilitation).

C. Lead-Based Paint

The Subrecipient agrees that any construction or rehabilitation of residential structures with assistance provided under this Agreement shall be subject to HUD Lead-Based Paint Regulations at 24 CFR 570.608, and 24 CFR 35, Subpart B. Such regulations pertain to all CDBG-assisted housing and require that all owners, prospective owners, and tenants of properties constructed prior to 1978 be properly notified that such properties may include lead-based paint. Such notification shall point out the hazards of lead-based paint and explain the symptoms, treatment, and precautions that should be taken when dealing with lead-based paint poisoning and the advisability and availability of blood lead level screening for children under seven. The notice should also point out that if lead-based paint is found on the property, abatement measures may be undertaken. The regulations further require that, depending on the amount of Federal funds applied to a property, paint testing, risk assessment, treatment, and/or abatement may be conducted.

D. Historic Preservation

The Subrecipient agrees to comply with the Historic Preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 CFR 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties, insofar as they apply to the performance of this agreement.

In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a Federal, state, or local historic property list.

XII. SEVERABILITY

If any provision of this Agreement is held invalid, the remainder of the Agreement shall not be affected thereby and all other parts of this Agreement shall nevertheless be in full force and effect.

XIII. SECTION HEADINGS AND SUBHEADINGS

The section headings and subheadings contained in this Agreement are included for convenience only and shall not limit or otherwise affect the terms of this Agreement.

XIV. WAIVER

The Grantee's failure to act with respect to a breach by the Subrecipient does not waive its right to act with respect to subsequent or similar breaches. The failure of the Grantee to exercise or enforce any right or provision shall not constitute a waiver of such right or provision.

XV. ENTIRE AGREEMENT

This agreement constitutes the entire agreement between the Grantee and the Subrecipient for the use of funds received under this Agreement and it supersedes all prior or contemporaneous communications and proposals, whether electronic, oral, or written between the Grantee and the Subrecipient with respect to this Agreement.

Date _____

IN WITNESS WHEREOF, the Parties have executed this contract as of the date first written above.

[Grantee]

[Subrecipient]

By _____
Chief Elected Official or Executive Officer

By _____

Attest _____
ASSISTANT [CITY/COUNTY] CLERK

Countersigned: _____
FINANCE OFFICER

By _____

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

Fed. I. D. # _____

ASSISTANT [CITY/COUNTY] ATTORNEY

AFFIRMATIVE ACTION APPROVAL

CONTRACT COMPLIANCE SUPERVISOR

DOCUMENTATION TO BE MAINTAINED

- Form should be initiated when grantee awards subgrant to subrecipients.
- Date at top should indicate last time when checklist was updated.
- Form should be updated after desk audits and all monitoring visits, or when key documents are received from/sent to Subrecipients.

Date Checklist Last Updated: _____

Documents to be Maintained	Document Source		Status		
	Source	Date	Complete?		Location
			YES	NO	
Project Application					
Original Application	Subrecipient				
Amendments to Application	Subrecipient/Grantee				
Approval of Amendments	Grantee				
Notice of Award	Grantee				
Correspondence	Subrecipient/Grantee				
Pre-Award Documentation					
Articles of Incorporation/Bylaws	Subrecipient				
Non-profit Determination	Subrecipient				
List of Board of Directors	Subrecipient				
Authorization to Request Funds	Subrecipient				
Authorized Official	Subrecipient				
Organizational Chart	Subrecipient				
Resumes of Chief Admin. and Chief Fiscal Officers	Subrecipient				
Financial Statement and Audit	Subrecipient				
Conflict of Interest Statement	Subrecipient				
Plan for Compliance with National Objectives	Subrecipient				
Lobbying Certification	Subrecipient				
Subrecipient Agreement					
Budget Amount	Grantee				
Date of Agreement	Grantee				
Statement of Work/Scope of Services	Subrecipient				
Budget by Task/Activity	Subrecipient				
Schedule by Task/Activity	Grantee				
Standard Provisions	Grantee				
Special Conditions	Grantee				
Amendments (Dates)	Grantee				

Documents to be Maintained	Document Source		Status		
	Source	Date	Complete?		Location
			YES	NO	
Financial Records					
Current Approved Budget	Subrecipient/Grantee				
Authorization Letter/Signatures	Subrecipient				
Financial Management Systems (Accounting books, software, reporting systems)	Subrecipient				
Chart of Accounts	Subrecipient				
List of Source Documents to be Maintained	Grantee				
Financial Status Report (total budget, amount expended, unliquidated obligations, unobligated balance)	Subrecipient				
Drawdown Request Forms	Subrecipient				
Executed Contracts/Bid Docs	Subrecipient				
Board Minutes for Approval of Contracts or Bids	Subrecipient				
Copy of Most Recent Audit Report	Subrecipient				
Certification of Insurance Coverage/Bonding	Subrecipient				
CDBG Payroll Records	Subrecipient				
Certified Construction Payroll Record (Davis-Bacon applicable)	Subrecipient				
Approved Cost-Allocation Plan	Subrecipient/grantee				
Relevant Financial Correspondence	Subrecipient/grantee				
Project Monitoring & Control					
Completed Monitoring Reports	Grantee				
National Objectives Documentation	Subrecipient				
Eligible Activities Documentation	Subrecipient				
Activity Status Report (scope, cost, schedule, Actual v. Agreement)	Subrecipient				
Drawdown Request/Reports	Subrecipient				
Subrecipient Staffing	Subrecipient				
Meeting Minutes	Subrecipient				
Phone/e-mail Log/Notes	Subrecipient				
Other Correspondence	Subrecipient				

Documents to be Maintained	Document Source		Status		
	Source	Date	Complete?		Location
			YES	NO	
Regulatory Compliance File					
HUD Monitoring Results	HUD/Grantee				
Real property inventory, Management and Change of Use	Subrecipient				
Anti-discrimination, Fair Housing, EEO, ADA/504 Certifications	Subrecipient				
Procurement, Bonding, Insurance	Subrecipient				
Labor standards	Grantee				
Acquisition, Displacement, Relocation, Replacement Housing	Subrecipient/Grantee				
Environmental Review	Subrecipient				
Loan Status Reports (economic development, rehabilitation)	Subrecipient				
Administrative Activities	Subrecipient				
Flood Insurance Purchase	Subrecipient				
Other Project Activity Files					
Plans & Specs (rehabilitation, historic preservation)	Subrecipient				
Orientation and Training	Subrecipient				
Special Case Records	Subrecipient				

EXAMPLE #1: SAMPLE SCOPE OF SERVICES FOR PUBLIC SERVICE ACTIVITIES



This is an example of a Scope of Services for a non-profit subrecipient that is providing center-based daycare services [under 24 CFR 570.201(e)] for children aged 14 months to 5 years. The public service is structured as a limited clientele activity that will principally benefit low- and moderate-income persons.

Please keep in mind that the following example is only one of the ways of structuring a Scope of Services and Method of Compensation for a public services provider being assisted through the CDBG program. In this example, the CDBG assistance comes in the form of a subsidy paid to the provider on behalf of the children from low- and moderate-income families enrolled in daycare. However, the option is also available to assist the daycare center provider's overall operations with CDBG funds, which could also meet the National Objective of principal benefit to low- and moderate-income persons as long as a majority of the children served by the center are from low- and moderate-income families.

Scope of Services

A. Principal Tasks

The Subrecipient will be responsible for providing daycare and related services to eligible children over the period of _____ to _____. With funding from the Year _____ CDBG program of the [name of Grantee], the Subrecipient will make available the equivalent of 10 full-time daycare slots during this period. The daycare services will be provided at the Subrecipient's main daycare center at [address of facility]. The Subrecipient will administer all tasks in the provision of the aforementioned public services in compliance with all applicable Federal, state, and local rules and regulations governing these funds, and in a manner satisfactory to the Grantee.

Changes in the scope of services, budget, or method of compensation contained in this Agreement, unless otherwise noted, may only be made through a written amendment to this Agreement, executed by the Subrecipient and Grantee.

The major tasks that the Subrecipient will perform in connection with the provision of the eligible daycare services include, but are not limited to, the following:

1. Maintain facilities at all times in conformance with all applicable codes, licensing, and other requirements for the operation of a daycare center. This will include all requirements for lead-based paint testing and abatement, as necessary. The facilities must also be handicapped accessible, and organized into separate areas appropriate for each of the age groupings being served (toddler, 14 months to 2.5 years; pre-school, 2.5 to 4 years; and pre-kindergarten, 4 to 5 years).
2. Conduct outreach through flyers, public service announcements, networking with local agencies, scheduling of open houses, and other means to inform the low- and moderate-income community of the availability of the fully-subsidized daycare slots available, and to ensure sufficient demand to maintain enrollment. All descriptions of the program will emphasize that the center is handicapped-accessible. [Depending on the demographics of the community, a Grantee may want to specify that outreach materials also be produced in Spanish, French, Cambodian, etc.)
3. Accept applications and perform eligibility determinations. Only children aged 14 months to 5 years from families in [name of town/city/county] with incomes that do not exceed the low- and moderate-income limits of the CDBG program, by family size, will be eligible for enrollment in the subsidized daycare slots.

4. Offer daycare services from 8:00 a. m. to 6:00 p. m. Monday through Friday to approved eligible families. Families should be provided the option of enrolling their children in either part-time or full-time daycare slots, provided that children from eligible low- to moderate-income families occupy 21 of the 40 “full-time equivalent” slots available at the daycare center. [If services are not expected to be provided on some or all holidays, they should be specified in the scope.]
5. Ensure that the numbers, background, and qualifications of the Subrecipient’s staff providing the on-site daycare and any related services at all times are appropriate for the enrolled child population at the center and meet at least the minimum standards established by the pertinent licensing bodies.
6. Provide two nutritionally balanced snacks and a warm lunch every day for children participating full time.
7. Provide transportation services for children requiring transport to and from their homes.
8. As part of the daycare services, provide a range of structured social, educational, and cultural enrichment activities appropriate to the age groups being served.
9. Maintain program and financial records documenting the eligibility, attendance, provision of services, and Subrecipient expenses relative to the children receiving daycare services as a result of assistance provided through the CDBG program.

B. Budget and Method of Compensation

With the submission of original monthly bills together with proper support documentation, for the services described in Section A. of this Agreement, the Subrecipient will be reimbursed on a monthly basis according to the following schedule:

For daycare services: A pro rata share of the Subrecipient’s allowable monthly expenses for the provision of daycare services as supported by a cost allocation plan prepared in accordance with 2 CFR 200 and the Department of Health and Human Services Publication OASMB-5. FTE day-care slots may be used as the allocation basis for the plan if it can be shown that this basis provides for an equitable distribution of the indirect costs. Aggregate monthly billings are limited to \$7,500.00.

For transportation services: The actual direct costs and any allocable indirect costs incurred by the Subrecipient for the provision of day care-related transportation for authorized, enrolled children from low- and moderate-income families during the month in question, up to an aggregate limit of \$500.00 per month.

It is also important to note two special requirements for the support of public services under the CDBG program. First, to be initially eligible for CDBG funding, the public service must be either a new service or a quantifiable increase in the level of service being provided by or on behalf of a unit of government in the 12 calendar months before submission of the Action Plan. This requirement does not prevent refunding the CDBG-assisted public service at the same level in a subsequent year, however.

Second, under most circumstances, the amount of CDBG funds obligated within a program year to support public service activities must not exceed 15 percent of the total grant awarded to the grantee for that year, together with 15 percent of the program income received by the grantee and its subrecipients for the preceding year. The grantee may want to include explicit language in the Subrecipient Agreement acknowledging these conditions for the eligibility of the public services expenses.

The grantee may also want to place special emphasis on the antidiscrimination language in the Subrecipient Agreement in order to ensure that individuals with disabilities or other special populations receive equitable access to the CDBG-assisted services.



EXAMPLE #2: SAMPLE SCOPE OF SERVICES/SCHEDULE OF PAYMENT FOR HOUSING REHABILITATION ACTIVITIES

In this example, the housing rehabilitation effort is aimed primarily at owner-occupied properties. The Subrecipient administers the activity, but the actual rehabilitation work is conducted by private contractors. (Other likely scenarios include a local rehabilitation program where the Subrecipient's staff perform some or all of the rehabilitation, and/or where the Subrecipient itself owns the property; in such cases, the specifics of the Scope of Services would need to be changed accordingly.)

The illustrative Scope of Services and Schedule of Payment that follow could be used along with the overall "boilerplate" agreement language found earlier in this Appendix to create a complete Subrecipient Agreement for housing rehabilitation activities.

In reviewing the following, however, keep in mind that this is only one of the many acceptable ways a Scope of Services could be structured for such work, and the particular language and level of detail contained in this example are not mandatory. Essentially, a grantee should develop a Scope of Services that is sufficient to provide clarity about all the activities that the subrecipient is expected to carry out, with explicit review and approval mechanisms that are adequate to permit the grantee to exercise its oversight responsibilities.

Scope of Services

A. Principal Tasks

The Subrecipient will be responsible for administering a CDBG Year___ housing rehabilitation program, also referred to as (specific name of program), for the city/county of (name of Grantee), hereinafter referred to as "the Grantee." The Subrecipient will administer all tasks in connection with the aforesaid program in compliance with all applicable Federal, state, and local rules and regulations governing these funds, and in a manner satisfactory to the Grantee.

The major goal of the Subrecipient's efforts under this Agreement will be the completion of rehabilitation of thirty-five (35) eligible housing units, per the Subrecipient's proposal of [date], as amended and approved by the Grantee on [date]. Changes to the program goals, scope of services, schedule, or budget, unless otherwise noted, may only be made through a written amendment to this Agreement, executed by the Subrecipient and Grantee. Toward the goal of the completion of rehabilitation for 35 eligible units, the major tasks that the Subrecipient will perform include, but are not necessarily limited to, the following:

1. Refinement of housing rehabilitation program plans, procedures, and forms: subject to review and approval by the Grantee, the Subrecipient will establish, or make any necessary revisions to, the housing rehabilitation program design and procedures (including but not limited to the priorities among applicants and among rehabilitation measures, the limits and structure of financial assistance, and the recapture and affordability policies), as well as any other necessary forms, documents or sample contracts.
2. Outreach: the Subrecipient will conduct sufficient advertisement of the housing rehabilitation program and other forms of outreach to ensure that enough eligible applicants from the designated target neighborhood(s) of [names of neighborhoods] participate in the program to meet the CDBG Year___ housing rehabilitation goal of 35 completed units.
3. Intake/assessment of eligibility: the Subrecipient will assist property owners and residents in the designated neighborhoods in the completion of applications to permit eligibility determinations for rehabilitation assistance. The Subrecipient will make provision for translation services to meet

the needs of non-English-speaking applicants. In the event of applicants who have impaired mobility or other disabilities, the Subrecipient will make provisions for completing the application at the applicant's residence or other acceptable procedures for ensuring equal access to services.

Initial eligibility determination of households/structures will be made by the Subrecipient on the basis of satisfaction of income requirements (single-unit structures must be occupied by a low- and moderate-income household; if a two-unit structure, at least one must be so occupied; and if three or more units in a structure, at least 51 percent of the units must be occupied by low- and moderate-income households [at affordable rents, where applicable] according to the most current income limits established by HUD), , and any other pertinent criteria set forth in the approved program design.

4. **Work write-ups:** for each eligible unit to be assisted, the Subrecipient will complete a detailed work write-up of the rehabilitation to be performed, including estimated costs of each activity, materials to be used, and industry or regulatory standards to be met. This write-up will be initialed and dated by the homeowner.
5. **Bank financing:** for those applicants who will be securing some of the financing for the rehabilitation work through private loans from a bank or other type of private financial institution, the Subrecipient will provide assistance to applicants when applying for such complementary financing upon request.
6. **Solicitation and selection of contractors:** the Subrecipient will assist approved applicants in the identification, proper solicitation, and selection of contractors qualified to perform the authorized rehabilitation of eligible housing units. The Subrecipient will provide forms and sample contract formats for the applicants to use in contracting with the contractors and will assist the applicant in ensuring that the description of the work contained in any contracts with contractors is accurate and complete.
7. **Periodic and final inspections:** the Subrecipient will perform periodic site visits to ascertain that approved and contracted rehabilitation work is proceeding properly and satisfactorily, will authorize (with the owner's written approval, including signature and date) appropriate change orders, and will mediate in the event of owner dissatisfaction with the work done by the contractor.
8. **Approval of contractor payments:** as rehabilitation progresses and as invoices are submitted by contractors, the Subrecipient will verify that the expenses are reasonable and the work has been completed properly (including a sign-off by the owner), and will authorize drawdown of funds from the Grantee, and disbursement to the contractors.
9. **Maintenance of case files and other records:** for each applicant, the Subrecipient will maintain case files, including application and documentation of eligibility, work write-ups, the assistance agreement between the property owner and Subrecipient (along with repayment/ recapture provisions), documentation of liens and any other forms of security, contractor selection criteria, copy of contract between owner and contractors), documentation on all necessary licenses and permits, site visit/inspection reports (including final inspection), change orders, and approved contractor invoices for payment (with owner sign-off). The Subrecipient will also maintain appropriate information on persons residing in the property, including a list or lists identifying persons in a project immediately before the project, after project completion, and those moving in during the project, as well as information on those displaced or temporarily relocated (per 24 CFR 570.606 and 49 CFR 24). The Subrecipient will maintain these and other program and financial records in accordance with the general requirements for recordkeeping specified in Section __ of this Agreement.

B. Staffing

The Subrecipient shall assign the following staff as Key Personnel to the CDBG Year ____ housing rehabilitation program:

Staff Member Title	General Program Duties	Time Allocation
Jane Smith, Program Manager	General program oversight and administration; revision of forms and procedures; approval of contractor selection; submission of approved contractor invoices	10 hours/week
John Doe, Asst. Program Manager	Assist with revision of forms and procedures; outreach; intake and eligibility determinations; solicitation of contractors; supervision of Rehabilitation Specialist; maintenance of program records	30 hours/week
Harold Baker, Rehabilitation Specialist	Work write-ups; inspections	25 hours/week
Alice Glass, Bookkeeper	Financial Records	5 hours/week

Any changes in the Key Personnel assigned or their general responsibilities under this project are subject to the prior approval of the Grantee.

C. Project Schedule

Unless amended by mutual written agreement by the Subrecipient and the Grantee, (Subrecipient's name) will perform the described housing rehabilitation tasks and complete the rehabilitation of eligible units in conformance with the schedule attached as Exhibit 1.

D. Line Item Budget

The following is the budget for the CDBG FY____ housing rehabilitation program to be administered by (name of Subrecipient). Unless otherwise noted, this budget may only be modified through a formal written amendment approved by the Grantee.

Rehabilitation Loans and Grants		\$310,000. 00
Relocation Assistance		20,000. 00
Operations and Administration		83,804. 00
Salaries	50,860. 00	
Fringe @ 40%	20,344. 00	
Office space (program only)	4,800. 00	
Communications	440. 00	
Reproduction/printing	600. 00	
Supplies and materials	660. 00	
Mileage	1,200. 00	
Audit	3,000. 00	
TOTAL		<u>\$413,804. 00</u>

Method of Compensation/Schedule of Payments

A. Direct Rehabilitation Expenses

The Subrecipient may draw down funds (against the “Rehabilitation Loans and Grants” budget line item) to establish escrow accounts for individual participating property owners to finance payments to contractors for the rehabilitation of eligible property. The loan agreement with the homeowner must specify that an escrow account will be used. Drawdowns for such escrow accounts may be initiated at the time that the assistance agreement between the Subrecipient and property owner is executed, but any funds drawn for such escrow accounts must be limited to the amount expected to be disbursed within 10 working days from the date of drawdown, must be placed in one interest-bearing account, and must be disbursed to contractors within 10 days of receipt by the Subrecipient. Payments to contractors from such escrow accounts should be made on the basis of work completed, with a set-off of at least 10 percent until final inspection and sign-off of the completed rehabilitation by the Subrecipient’s staff and property owner.

Exhibit 1

Housing Rehabilitation Program

Work Schedule – CDBG YEAR ____

Task/Program Goals	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9
1. Refinement of Forms and Procedures									
2. Outreach/Intake									
3. Number of Applicants Determined Eligible (cumulative)	0	5	15	5	35+				
4. Number of Work Write-ups Completed (cumulative)	0	3	12	22	32	35+			
5. Number of Eligible Units Out-to-Bid (cumulative)	0	2	10	18	28	35			
6. Number of Eligible Units Where Rehab Started (cumulative)	0	2	5	13	21	29	35		
7. Number of Eligible Units Where Rehab 50% Complete (cumulative)	0	0	1	5	13	21	29	35	
8. Number of Eligible Units Where Rehab/Final Inspection Completed (cumulative)	0	0	0	2	4	8	16	32	35
9. Submission of Quarterly Reports	X			X			X		

B. Relocation Assistance

The Subrecipient may draw down funds as Relocation Assistance expenses are incurred, up to the approved line item budget level. Relocation Assistance must be provided in accordance with 24 CFR 570.606 and 49 CFR 24.

C. Operations/Administrative Expenses

During start-up of the CDBG FY ____ housing rehabilitation program (Months 1–3), the Subrecipient may draw down on a monthly basis up to one-twelfth of the budgeted amount for Operations and Administration, to cover expenses actually incurred. After Month 3, drawdowns against the balance of budgeted funds for Operations and Administration must be based on costs actually incurred, and proportional to the percentage of the total authorized amount for Rehabilitation Loan/Grant funds and Relocation Assistance that have been expended.

[NOTE: A grantee might structure compensation for operations/administrative expenses in this way to allow for start-up costs, and to ensure that the subrecipient does not exhaust its CDBG operations budget before the rehabilitation of all the assisted units is completed.

Alternatively, a grantee could choose to reimburse the subrecipient simply on the basis of operations/administrative expenses incurred, or at a fixed rate per unit completed (in this case, \$2,394.40 per unit based on a budget for operations and administration of \$83,804 and a volume of 35 units). This latter approach may only be used if it is supported by a cost allocation plan to ensure that the reimbursement is tied to the actual cost of services.]

In addition to the provisions outlined above, it is especially important that a grantee should ensure that a Subrecipient Agreement for the operation of a housing rehabilitation program also includes citations relative to the following program requirements:

- **Affordability provisions [24 CFR 570. 208(a)(3)]:** for activities benefiting low- and moderate-income persons, the subrecipient must adopt and make public the grantee's standards for determining that for rental housing assisted under the program, the rents of units occupied by low- and moderate-income persons are "affordable."
- **Davis-Bacon requirements and other Labor Standards [24 CFR 570.603]:** these statutes require the payment of prevailing wages for CDBG-assisted construction work, including construction or rehabilitation of residential property containing eight units or more, in excess of \$2000. The Contract Work Hours and Safety Standards Act also applies to such activities.
- **Historic Preservation [16 U.S.C. 470 et seq. and 36 CFR 800]:** these requirements mandate (a) consultation with specified agencies having responsibility for historic preservation to identify properties listed (or eligible for inclusion) in the National Register of Historic Places that may be subject to adverse effects by the proposed CDBG activities, and (b) compliance with procedures or other requirements to avoid or mitigate such adverse effects.
- **National Flood Insurance Program [24 CFR 570.605]:** if a community has had notice for more than a year that an area has been identified by FEMA as having special flood hazards, CDBG funds cannot be spent for acquisition or construction purposes within that area unless the community is participating in the National Flood Insurance Program and such insurance has been purchased for the properties in question.
- **Relocation, Real Property Acquisition, and One-For-One Housing Replacement [24 CFR 570.606]:** The acquisition of real property for a CDBG-assisted project and the displacement of any person (family, individual, business, non-profit organization or farm) as a direct result of acquisition, rehabilitation, demolition or conversion for a CDBG-assisted project must comply with 24 CFR 670.606 and 49 CFR 24. The Subrecipient must also conduct its CDBG activities so as to minimize displacement, and if displacement occurs, the displaced persons or entities must be provided assistance consistent with the Uniform Relocation Act, as amended, or Section 104(d), as applicable. In addition, there must be a one-for-one replacement of any occupied (or vacant, occupiable) low- and moderate-income dwelling that is demolished or converted to another use in connection with a CDBG-funded activity.
- **Lead-based Paint [24 CFR 570.608 and 24 CFR 35]:** There is a general prohibition against the use of any lead-based paint in connection with any CDBG activity involving the construction or rehabilitation of residential structures. If the structure was constructed prior to 1978, the tenants or purchasers must be notified of the hazards of lead-based paint poisoning; and, depending on the level of Federal assistance made available to the structure, paint inspection, risk assessment, treatment, and/or abatement must be provided.
- **Program Income [24 CFR 570.500; 570.503(a), (b)(3) and (b)(7); and 570.504]:** A grantee must approve (a) whether a Subrecipient will be allowed to retain and use program income, and (b) for what activities the program income may be used. The use of such program income must be in compliance with all other applicable program requirements and, upon the expiration of the Subrecipient Agreement, any program income on hand or subsequently received by the Subrecipient must be returned to the grantee.

Examples of language that can be incorporated into a Subrecipient Agreement for most of these additional requirements can be found in the sample "boilerplate" Agreement in the preceding section of this Appendix.



EXAMPLE #3: SAMPLE SCOPE OF SERVICES FOR SPECIAL ECONOMIC DEVELOPMENT JOB CREATION ACTIVITIES

This is an example of a Scope of Services for a subrecipient that is providing low-interest loans to private for-profit businesses (per [24 CFR 570.203\(b\)](#)) as a means of creating jobs for low- and moderate-income persons. With such “special economic development activities” documentation that the loan program constitutes an **eligible activity** and meets a **National Objective** is crucial and therefore is given particular attention in this illustrative Scope of Services.

As mentioned in the preceding section that focused on housing rehabilitation, there are a variety of acceptable ways to structure the scope and compensation schedule for any particular activity being undertaken by a Subrecipient. Therefore, the example that follows **should not be viewed as required contract language**, but rather as one approach for structuring the Scope of Services in a Subrecipient Agreement.

Scope of Services

A. Principal Tasks

The Subrecipient will be responsible for administering a CDBG Year ___ economic development loan program, also referred to as (specific name of the program), for the city/county of (name of Grantee) hereinafter referred to as “the Grantee.” The Subrecipient will administer all tasks in connection with the aforesaid program in compliance with all applicable Federal, state, and local rules and regulations governing these funds, and in a manner satisfactory to the Grantee.

Changes to the program focus and objectives, scope of services, schedule, or budget contained in this Agreement, unless otherwise noted, may only be made through a written amendment to this Agreement, executed by both the Subrecipient and Grantee.

The focus of the Subrecipient’s efforts under this Agreement will be the provision of low-interest loans to private for-profit businesses located in the city/county of (name of grantee) that will result in the creation of jobs at those businesses primarily for low- and moderate-income individuals. The principal objective of the CDBG Year___ economic development loan program will be the creation of 25 jobs through the provision of up to ten (10) loans. The major tasks that the Subrecipient will perform in connection with the (specific name of program) include, but are not limited to, the following:

1. **Refinement of economic development loan program procedures and forms:** subject to the review and approval by the Grantee, the Subrecipient will establish, or make any necessary revisions to, the economic development loan program design, procedures, and forms (including but not limited to the underwriting criteria meeting the requirements of [24 CFR 570.209](#), collateral/loan security requirements, standards for loan value-to-job creation ratio(s), repayment terms, loan review procedures, standard application forms and loan documents, loan servicing terms and procedures, and loan re-negotiation, default and/or foreclosure policies).
2. **Outreach:** the Subrecipient will advertise the CDBG FY___ economic development loan program and conduct other forms of outreach. The Subrecipient’s outreach efforts will be sufficient to generate enough demand to be able to close loans that produce 25 jobs, the majority of which will be for low- and moderate-income persons.
3. **Completion of loan applications; underwriting assessment:** the Subrecipient will assist for-profit businesses in completing loan applications and will perform an assessment of each loan request to (a)

determine the CDBG eligibility of the loan, (b) evaluate the loan's job creation potential relative to meeting the National Objective and Public Benefit standards, (c) develop underwriting guidelines, and (d) ascertain that the loan will minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods. The Subrecipient will perform, based on established underwriting guidelines per [24 CFR 570.209](#), a front-end assessment to determine whether each loan and the financing terms associated with it are appropriate, and as part of this assessment will consider the business' need for financial assistance, the feasibility of the proposed venture or business activity, the past business experience of the applicant, the reasonableness of the proposed costs and return to the applicant, the commitment of other sources of funds, and the ratio of the loan amount to the full-time equivalent jobs expected to be created.

4. **Obtain loan collateral:** the Subrecipient will identify and obtain loan collateral, or other appropriate forms of loan security, sufficient to reduce the financial risk associated with each CDBG-funded loan, consistent with the program intent of providing financing in situations where adequate conventional financing is not available.
5. **Loan Review Committee:** the Subrecipient will establish and maintain a Loan Review Committee, consisting of a representative of the Subrecipient, a representative of the Grantee, and three representatives of local financial institutions familiar with business loans. The Loan Review Committee will review all loan recommendations forwarded to it by the economic development program staff of the Subrecipient. No loan will be made under the economic development loan program without the approval of a majority of the members of the Loan Review Committee.
6. **Loan closing:** with the authorization of the economic development loan program's Loan Review Committee, the Subrecipient will execute all necessary documents and will draw down funds as necessary to cover the expenses of approved applicants for activities authorized by executed loan agreements. The loan documents executed with applicants will include explicit provisions describing (a) the records that loan recipients must maintain to demonstrate the eligibility of the CDBG expenditures and the satisfaction of the CDBG National Objective, and (b) the conditions and procedures under which late payment penalties, default and/or foreclosure will occur.
7. **Loan servicing/loan portfolio management:** the Subrecipient will establish and maintain a consistent method for recording monthly payments, with up-to-date ledgers and timely reconciliations (at least quarterly). The Subrecipient will also establish a system to monitor the financial health of the ventures funded, in order to anticipate repayment problems. The Subrecipient will apply its policies and procedures regarding late payments, defaults, loan re-negotiation, and foreclosure in a timely and consistent manner.
8. **Monitoring of job creation:** the Subrecipient will monitor loan recipients on at least a quarterly basis to assess their progress in creating jobs for low- and moderate-income persons, and will institute default and foreclosure of the loan (with penalties if appropriate) in instances where the loan recipient fails to take sufficient action to satisfy the CDBG National Objective requirement.
9. **Management of program income:** any program income generated in connection with the economic development loan program, including loan repayments, late payment penalties, recaptures, or proceeds from foreclosure, will be utilized consistent with the provisions of [24 CFR 570.500\(a\)](#), [570.503\(a\)](#) and [\(b\) \(3\)](#), and [570.504](#), and all other applicable CDBG program requirements. The Subrecipient shall apply this program income toward additional loans under the economic development loan program through the use of a revolving fund pursuant to [24 CFR 570.500\(b\)](#).
10. **Maintenance of records:** in addition to the financial records regarding loan repayment cited in Paragraph A.6 above, the Subrecipient will maintain sufficient records to fully document (a) the loan application and underwriting review, including the front end assessment of CDBG eligibility and appropriateness of the loan, (b) the final terms and conditions of the loan, including collateral or other forms of loan security involved, (c) satisfaction of the CDBG National Objective, and Public Benefit requirements consistent with the requirements of [24 CFR 570.208\(a\)\(4\)](#) and [570.209](#), and (d) proper utilization of program income received. All such records will be maintained according to the general requirements of [24 CFR 570.506](#) and those specified in the section of this Agreement on retention of records [Grantee to add a specific reference here].

Along with this Scope of Services, the grantee should develop Agreement language regarding Key Personnel and should include a Project Schedule and a Line Item Budget comparable to those found in the preceding example for housing rehabilitation activities. The Project Schedule may be more difficult to develop in the instance of this special economic development activity, however, because it probably will be harder to predict when individual loans might be closed. Nevertheless, in the Project Schedule, the grantee should at least identify the discrete tasks and make every effort to frame measurable milestones and/or levels of accomplishment over time.

For the Method of Compensation/Payment Procedures section, the Subrecipient's drawdown of funds to finance the loans themselves should be predicated on the amount needed to cover the actual expenses of approved applicants relative to activities authorized by executed loan agreements. The somewhat uncertain schedule for loan closings also might make it difficult to structure compensation for the Subrecipient's operational/administrative expenses on a "performance basis;" that is, payment to the Subrecipient for operational/administrative expenses based on the number of loans closed or jobs created, etc. An alternative method is to reimburse the Subrecipient for operational and administrative costs simply based on expenses incurred.

These sections on Scope, Project Schedule, Budget, and Method of Compensation/ Payment Procedures can be added to the general Agreement "boilerplate" language to form a complete Subrecipient Agreement.

CHAPTER 4

ORIENTATION, TRAINING, AND TECHNICAL ASSISTANCE

CONTENTS

PAGE

Introduction.....	4-2
Importance of Orientation, Training, and Technical Assistance	4-2
How Orientation, Training, and Technical Assistance Differ	4-2
Orientation Sessions	4-2
Training Sessions	4-4
Technical Assistance.....	4-6
Evaluation Techniques	4-7
Conclusion	4-8

RESOURCES

Factors to Consider when Scheduling a Training Session	4-9
Sample Training Curriculum on the Uniform Relocation Act (URA)	4-11

INTRODUCTION

This chapter explains how you can use these tools to build a more efficient and effective program and improve your management and monitoring processes by anticipating and avoiding otherwise inevitable problems early in your program.

IMPORTANCE OF ORIENTATION, TRAINING, AND TECHNICAL ASSISTANCE

The time you invest to develop your orientation, training, and technical assistance programs will help you:

- Enhance the productivity of your subrecipients,
- Improve the quality of services available in your community, and
- Reduce the administrative demands placed on you and your staff.

HOW ORIENTATION, TRAINING, AND TECHNICAL ASSISTANCE DIFFER

While these approaches to educating your subrecipients have a shared focus on enhancing performance and reducing problems, they differ with respect to emphasis, timing, and target audience.

- **Orientation sessions**, typically held for either individual subrecipients or groups of subrecipients at the beginning of the program, tend to address broad program objectives and requirements.
- **Training sessions** are conducted periodically throughout the year to address specific program areas and include larger groups of subrecipients.
- **Technical assistance** is offered to individual subrecipients when the activity is in progress.

ORIENTATION SESSIONS

Orientation sessions provide your subrecipients with an overview of the CDBG program and general program requirements. While it is easy to minimize their value, especially if you are balancing limited staff resources, they can help improve your program operations.

Orientation sessions will provide you with an opportunity to:

- Open—or re-establish—lines of communication with your subrecipients,
- Reinforce the basic rules and requirements of your CDBG program,
- Establish clear expectations concerning performance standards,
- Explain program policies and procedures,
- Acknowledge and address past compliance problems, and
- Discuss potential challenges.

Use your Subrecipient Agreement as a training tool during the orientation. By making extensive use of the agreement, you emphasize its importance and encourage your subrecipients to refer to the agreement for guidance on program policies and procedures throughout the program year.

Orientation Options

- **One-on-one orientation sessions** focus on individual subrecipients and are often limited to new subrecipients.
- **Group orientation sessions** are structured opportunities to meet with multiple subrecipients in a single session.

Benefits and Limitations of Orientation Options

Consider the benefits and drawbacks of one-on-one and group orientation sessions before you decide which option works best for your program.

One-on-One Orientation Sessions	
Benefits	Limitations
<ul style="list-style-type: none"> • Tailored to the needs of the individual subrecipient. • Greater involvement of subrecipient staff. • Opportunity to assess the subrecipient's understanding of essential material. • Avoids an overly bureaucratic presentation that can intimidate new subrecipients. • Fewer logistics to organize and less costly. 	<ul style="list-style-type: none"> • May be an inefficient use of time and resources. • Rules out peer group learning and interaction. • The structure may understate the importance of consistent compliance with regulations. • May result in inconsistency of the presentation and on the issues emphasized. • More easily ignored if not fully integrated into your monitoring program.

Group Orientation Sessions	
Benefits	Limitations
<ul style="list-style-type: none"> • Large numbers of subrecipients get the same message at the same time. • Supports the use of a structured agenda aimed at major fiscal and program reporting responsibilities. • Encourages subrecipients to have several staff members take part in the orientation. • Increases familiarity with program requirements throughout the subrecipient organization. • Generates interaction and an exchange of information between new and experienced subrecipients. • Emphasizes the importance of program rules and regulatory compliance. 	<ul style="list-style-type: none"> • More effort required to prepare, coordinate, and deliver. • Benefit of group setting lost if subrecipients are unable to send more than one representative. • Difficult to cover information that is relevant to every organization in attendance. • Difficult to assess the subrecipients' understanding of essential material. • Greater need to adapt material to respond to experience and comprehension levels of subrecipients. • Key subrecipient staff may be less likely to attend.

Subrecipient Participation

Minimize the number and severity of monitoring issues that may come up during the program year by inviting both new and current subrecipients and their staff to participate in the orientation.

Encourage subrecipients to send more than one representative to the session. If they are unfamiliar with the program, extend an invitation to their Executive Director, Chief Fiscal Officer, and Board of Directors.

Participation Incentives

Entice reluctant subrecipients (typically your most experienced subrecipients) to take part in the orientation by:

- Inviting them to share their program experience with other participants during the session,
- Highlighting new program guidelines and regulations covered during the session,
- Handing out executed Subrecipient Agreements during the session,

- Requiring attendance as a consideration for future awards,
- Incorporating an awards ceremony recognizing exceptional programs, and/or
- Hosting a networking opportunity at the close of the session.

TRAINING SESSIONS

Training sessions, held periodically throughout the program year, tend to focus on a specific topic with detailed, technical information presented to participants.

An effective training program offers many benefits:

- Increased compliance with program rules and regulations,
- Improved long-term ability and overall performance of your subrecipients, and
- Provision of more efficient and effective services to the community.

Types of Training Sessions

- **Issue-specific** training sessions cover single topics which, because of their broad applicability, are relevant to many—if not all—of your subrecipients.
- **Activity-specific** training sessions focus on topics associated with a specific activity area and will be relevant only to select subrecipients.
- **Issue-specific and activity-specific** training sessions are held with targeted subrecipients that, because of their specific activity, are more likely to run into monitoring problems. The sessions typically concentrate on basic administrative systems and specific performance challenges.

Suggested Training Topics

The results of your ongoing monitoring efforts will help you identify the training needs of your subrecipients.

Potential training topics include:

Issue-Specific Training Topics	Activity-Specific Training Topics
<ul style="list-style-type: none"> • Financial control systems and procedures • IDIS reporting requirements • National objective compliance • Procurement methods • Relocation/anti-displacement • Davis-Bacon Act • Historic preservation • Lead-based paint requirements • Liens and recapture agreements • Accessibility requirements 	<ul style="list-style-type: none"> • Housing rehabilitation and development (including the use of escrow accounts) • Public services • Economic development or commercial improvements • Public facilities and infrastructure • Administration or planning activities • Acquisition, demolition, or disposition • Section 108 loan guarantees

Training Design

Successful training programs are relevant, useful, and persuasive.

A well-designed training program will:

- Have some direct connection with the daily experience and concerns of your subrecipients.
- Demonstrate new techniques to increase their productivity and/or reduce problems.
- Motivate your subrecipients to act, change behavior, learn new ways of doing things, solve problems, or improve their performance.

The Resources section of this Guide includes an example of how you might structure a day-long training session on relocation and anti-displacement requirements for CDBG projects (see [Sample Training Curriculum](#)). The format covers topics and methods organized around a single theme.

Effective Training Techniques

Learning styles are as varied as your subrecipients. The more ways you can present information during the training session, the more likely your subrecipients will remember the material. Include, to the extent possible, a combination of short lectures, visual presentations, and small group activities in your training sessions. Translate written materials and arrange for needed interpreters.

In lecture and presentation settings, distribute:

- Written summaries of key points of oral presentations, and
- Copies of presentation slides.

To keep participants actively engaged in the training—and better able to retain what they learned—consider the use of:

- Role-playing simulations
- Problem-solving exercises
- Panel discussions
- Demonstrations
- Case studies
- Games and quizzes

Logistical Considerations

Decisions you make about when and how to structure the training session will affect the number of participants you can expect to attend.

- When are your subrecipients most likely to be available?
- Can the training be provided remotely?
- If offered remotely, do they have the technical capacity to participate?
- If offered in-person, is there an appropriate facility available to hold the session?

While training sessions have traditionally required participants to attend in person, the use of online and computer-based training tools have become an increasingly attractive and affordable alternative. Before scheduling your training session, consider your online options:

- Virtual online meetings
- Video conferences
- Audio conferences
- Webinars

A listing of [Factors to Consider when Scheduling a Training Session](#) is included in this Guide's Resources section.

Training Resources

Take advantage of the training resources developed by HUD. A variety of program guides, training tools, and webinars are available online at the [HUD Exchange](#) which can serve as the centerpiece of your training program. They are also helpful when training your staff.

Online resources include:

- [Basically CDBG for Entitlements](#)
- [Basically CDBG for States](#)
- [Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities](#)

- [Guide to National Objectives and Eligible Activities for State CDBG Programs](#)
- [Playing by the Rules: A Handbook for CDBG Subrecipients on Administrative Systems](#)
- [Training CDBG Subrecipients in Administrative Systems](#)
- [State CDBG Grant Administrator Training](#)
- [IDIS for CDBG Entitlement Communities—Training Manual and Slides](#)
- [IDIS Online for State CDBG Grantees—Training Manual and Slides](#)
- [CDBG Economic Development Toolkit](#)
- [CDBG Crosscutting Issues Toolkit](#)

TECHNICAL ASSISTANCE

Often conducted in response to a specific request from a subrecipient, technical assistance tends to be reactive and aimed at addressing existing program or administrative issues. Keep in mind that it is usually not a one-time event and, like your ongoing monitoring efforts, may require frequent interactions.

Whenever possible, broaden the focus of your technical assistance to emphasize the importance of overall program quality and constant improvement by providing your subrecipients with new knowledge and skills.

One-on-One Technical Assistance

Much of your technical assistance will be conducted on a one-on-one basis with your subrecipient. However, there may be occasions when it is appropriate to include several staff members from one subrecipient, or staff from several subrecipients.

Technical assistance can be provided on-site or remotely. It can involve the distribution and explanation of materials, the demonstration of approved techniques, a discussion of ways to improve operations, or a simple response to an inquiry about a specific process. On-site technical assistance offers additional opportunities to observe subrecipient staff in their normal activities and develop relationships.

Remote Technical Assistance

Technical assistance can also be provided to your subrecipients remotely.

This works best in cases where the problem is routine or is a simple inquiry about a specific process. A telephone call or e-mail is appropriate, for instance, when your subrecipient has a question about filling out a specific form or is seeking advice on the implementation of a routine administrative procedure.

Delivering Technical Assistance

Technical assistance is supposed to clarify, instruct, or correct matters for subrecipients. To provide the best possible assistance to your subrecipients, it is important that you:

- **Respond promptly.** Making subrecipients wait weeks before you respond sends a strong message that their request for help is not important.
- **Be relevant.** Make sure you address the issues raised by your subrecipient and not merely what you feel is important.
- **Provide accurate information.** If you or your staff are not sure of the correct answer to a question, take the time to get the proper answer or interpretation before sharing it with your subrecipient.
- **Acknowledge the capacity of your subrecipient.** When offering guidance on how to satisfy technical or regulatory requirements, recognize that your subrecipient may have limited funds, time, and staffing resources available to them.
- **Evaluate the comprehension of your subrecipient.** Test your subrecipient's understanding of the information you provide by asking how it would apply to a hypothetical situation.

- **Follow up.** Schedule a follow-up with your subrecipient to determine how well they have mastered the information or skills.

Pre-Monitoring Technical Assistance

An effective strategy for helping your subrecipient improve performance is to conduct a pre-monitoring technical assistance meeting.

A pre-monitoring meeting with your subrecipient will help your subrecipient:

- Identify what you will cover during your formal monitoring; and
- Learn from your informal assessment of the adequacy of their systems, procedures, and records.

If scheduled several months before your formal monitoring takes place, you will give your subrecipient:

- An opportunity to raise questions outside of the formal monitoring process,
- An appreciation of the importance of following program regulations, and
- Time to correct deficiencies and avoid written monitoring findings.

EVALUATION TECHNIQUES

It is important to evaluate the effectiveness of your orientation training and technical assistance efforts and to measure your subrecipient's understanding of your program rules and regulations. Determine early in the process the type of evaluation that is right for your program.

Types of Evaluations

There are two types of evaluations you can use to determine which elements of your efforts were successful and which need improvement.

- **Outcome evaluations** focus on whether the program was effective.
- **Process evaluations** focus on the design of the program.

Outcome Evaluation Techniques

Options for evaluating your subrecipients' understanding of the material you present during your orientation sessions, training programs, and technical assistance efforts include:

- Testing their knowledge of the topic before your training session begins and measuring what they have learned after the training session ends.
- Informal visual confirmation of their understanding of the material during interactive elements of your training session (case study discussions, role-playing exercises, etc.).
- Comparing the number of new or continuing findings you encounter during your monitoring visits.
- Measuring changes in their productivity (for example, the number of housing rehabilitation projects completed or the number of young adults taking part in a summer employment program).

Process Evaluation Techniques

Another way to assess your orientation, training, and technical assistance efforts is to ask your subrecipients how valuable and relevant they were.

Getting feedback from your subrecipients is important and can help improve your program. Evaluation tools often used by grantees include:

- Evaluation forms
- Questionnaires
- Follow-up interviews

Ask your subrecipients to measure how much they agree or disagree with various statements,

rating them on a scale of “0” (strongly disagree) to “5” (strongly agree). Keep your questions simple. Ask for specific suggestions on how to improve the experience. Allow anonymous responses to ensure candor.

Questions to ask your subrecipients can include, for example:

- Did you feel that the orientation or training session was worth your time?
- Did you think that it was successful?
- What were the biggest strengths and weaknesses of the training?
- Were the training activities engaging?
- What are the three most important things that you learned from this training?
- From what you learned, what do you plan to apply in your job?
- What support might you need to apply what you learned?

Soliciting the opinion of your subrecipients will show that you value their input. Let them know that you want to help make their job easier and their program more productive. You really do have something of practical benefit to offer them.

CONCLUSION

In this chapter, you learned how to design and conduct effective orientation and training sessions and provide technical assistance to your subrecipients.

You should now be able to:

- Understand the differences between orientation sessions, training, and technical assistance.
- Design issue-specific and activity-specific training programs.
- Offer technical help to your subrecipients.
- Evaluate the effectiveness of your orientation, training, and technical assistance efforts.
- Measure your subrecipients’ understanding of the rules and regulations of your program.

FACTORS TO CONSIDER WHEN SCHEDULING A TRAINING SESSION

The following provides general guidance as you organize your planned training session. It is not a comprehensive listing and does not fully address the technology resources you will need to consider if your training is offered remotely.

Develop an Agenda

Develop a preliminary agenda and design for the training session.

- How much time will it take to cover the selected topic?
- How will the training material be presented?
- What equipment and materials will you need to present the information?

Scheduling the Event

Schedule the training, picking a date and time that will work for targeted participants.

- Dates to avoid
 - CDBG program deadlines
 - Federal or local holidays
 - Religious holidays (e.g., Christian, Jewish, Islamic, etc.)
 - Local school holidays (e.g., spring or winter recess)
 - Major national or local political or sporting events
 - Mondays and Fridays, weekends

Selecting a Venue

Select a venue—physical or virtual—that is appropriate for the training session.

- Site options
 - Your facility or another site under your control
 - Current subrecipient facility
 - Local venue (e.g., conference facility, community meeting space, institutional facility, etc.)
 - Remote or virtual meeting
- Availability
 - Is it available on the date you have selected?
 - Is it available for the entire time you have budgeted for the training?
- Location
 - Is it centrally located? Is it easy to find?
 - Is it accessible by both public transportation and private vehicles?
 - Is parking provided? Will participants be charged for parking?
 - If the training will take more than one day, is lodging available nearby?
- Physical Considerations
 - Can disabled participants be accommodated?
 - Is the space large enough?
 - How are the sightlines? Will everyone be able to see the speakers and presentations?
 - How flexible is the space? Can the space be reconfigured for role-playing and small group discussions?
 - Is there a suitable space available for social interaction and networking?

- Are the chairs comfortable? Are the tables large enough?
- Is the lighting adequate?
- Can the room be easily heated or cooled?
- Will participants be distracted by the sound of activities in adjoining rooms?
- Is the facility adequately furnished, clean, and well maintained?
- Will your participants feel safe attending training there?

- Technical Considerations
 - The quality, capability, and availability of needed AV equipment
 - Is Wi-Fi available? Is the internet connection reliable?
 - Is tech support provided? Is staff competent and responsive?

- Catering Options
 - Can they provide food and beverages for scheduled breaks?
 - Are healthy food options available?
 - If not, can you bring in your own refreshments

- Cost
 - Is there a cost to use the space?
 - Are there other fees that may apply (e.g., parking, AV equipment, etc.)?
 - Is there a cancelation fee?
 - Are they open to negotiating the fees?
 - Do you have the funds available to cover predicted training costs?

SAMPLE TRAINING CURRICULUM ON THE UNIFORM RELOCATION ACT (URA)

NOTE TO GRANTEES: The requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) and the Relocation Assistance Plan under section 104(d) of the Housing and Community Development Act of 1974 (HCDA of 1974) are very complicated and technical. When the grantee executes the required certifications, it assures that all statutory and regulatory requirements will be met. Regardless of the tasks delegated to a subrecipient, the grantee remains liable for any costs arising from noncompliance with the law or regulations. For these reasons, HUD believes that few subrecipients will have or acquire the expertise to carry out all these requirements and that generally, it is not in the interest of the grantee to delegate completely the tasks required under these laws. Before conducting any training for subrecipients on this subject, the grantee must decide exactly which functions it will perform and those it expects the subrecipient to perform.

9:00 a.m. – 9:15 a.m.

Introduction and welcome

9:15 a.m. – 10:30 a.m.

Applicable regulatory requirements

- Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA)
- Section 104(d) Relocation Requirements (“Barney Frank Amendments” to Title I of the Housing and Community Development Act of 1974)
- Other Relocation Requirements

10:30 a.m. – 10:45 a.m.

Break

10:45 a.m. – 12:00 noon

Roles, procedures, and types of assistance

Presentation on grantee and subrecipient roles relative to relocation and real property acquisition:

Functions that the grantee should routinely undertake itself are:

- The issuance of notices of eligibility for relocation assistance.
- The provision of advisory services to businesses.
- Social service referrals for difficult cases.
- Review and approval of relocation claims and processing of relocation payments.
- Processing of appeals.
- Maintaining records sufficient to demonstrate compliance with the relocation and real property acquisition requirements. (To maintain complete records, the grantee will need to be copied on correspondence, etc., from subrecipients.)

Specific functions that subrecipients normally can be expected to perform:

- Identify occupants of the property when consideration of project proposal is initiated (e.g., obtain a copy of “rent roll”).
- Identify persons moving into the property after consideration of the project is initiated.
- Survey tenants to gather information on household size, income, housing needs, and preferences. [Grantee should explain in detail exactly what is expected of subrecipients, e.g., how to survey tenants and collect information on household size, income, etc.]
- Issue general information notice.

- Coordinate with grantee on referrals to suitable and comparable replacement housing and provide transportation to inspect the housing.
- Identify suitable housing for the temporary relocation of persons not displaced.
- Issue timely Notices of Non-displacement.
- Coordinate with the grantee to permit the grantee to issue timely Notices of Eligibility for relocation assistance.
- Coordinate with the grantee to permit timely grantee processing of relocation claims.

[Grantee should supply information booklets, guide form general information notices, and guide form Notices of Eligibility and/or Non-displacement (if applicable) to the subrecipients and answer questions about the materials.]

Additional information on forms and amounts of assistance:

- Discussion of differences in assistance available under 104(d) versus URA: Section 104(d) assistance is similar to that under URA, although Section 104(d) also allows for relocation payments for security deposits and credit checks and provides for replacement housing payments for a longer time period (60 months versus 42 months under URA).
- Discussion of formulas to compute residential relocation assistance payments: moving and related expenses (fixed moving and dislocation allowance or actual moving expenses and related costs); replacement housing payments (URA formula versus Section 104(d) formula).
- Discussion of available Section 8 assistance and HOME tenant-based rental assistance.
- Presentation on specific requirements for temporary residential relocation: notice of non-displacement; definitions of suitable temporary housing; exceptions for owner-occupants.

12:00 noon – 1:00 p.m.

Lunch break

1:00 p.m. – 1:30 p.m.

Exercise on temporary residential relocation

Exercise could involve presenting the participants with several brief hypothetical examples of temporary relocation, asking them to comment on process, range, and levels of assistance provided.

1:30 p.m. – 2:00 p.m.

Presentation on procedures for residential displacement

Discussion of procedures, including informing occupants and manner of notice; advisory services to persons to be displaced; identification and referrals to comparable replacement housing; moving into replacement housing; processing claims and making payments; appeal procedures; and respective roles of grantee and subrecipient.

2:00 p.m. – 2:45 p.m.

Exercise on residential displacement

Participants could be given a scenario involving probable displacement of residential property occupants and asked to describe the process that should be followed to ensure adequate replacement housing and the respective roles of the grantee and the subrecipient in that process. Participants also examine the long- and short-term costs of alternate approaches.

2:45 p.m. – 3:00 p.m.

Break

3:00 p.m. – 3:30 p.m.

Presentation on requirements and procedures for business relocation

Discussion of differences between residential and business relocation assistance under URA; differences between actual and fixed payments; business owner options to remain in business or go out of business, and the assistance available in each case; and limits to assistance in finding suitable replacement business locations.

3:30 p.m. – 4:00 p.m.

Exercise on business (nonresidential) relocation

4:00 p.m. – 4:30 p.m.

Record-keeping requirements for relocation/displacement assistance

4:30 p.m. – 5:00 p.m.

Summary of key points, additional questions & answers, and feedback

Grantee should close session by providing name and telephone number of grantee staff member(s) who will be responsible for providing assistance on relocation, property acquisition, and one-for-one housing replacement matters.

Online HUD Training and Handbook Resources

- [URA the HUD Way](#)

A web-based modular training course providing basic information and resources to HUD grantees and funding recipients on URA requirements.

- [URA the HUD Way Resources](#)

General URA Resources including:

- URA Statute (Law)
- 49 CFR 24 (URA Regulations)
- URA Fixed Residential Moving Cost Schedule
- CPD Notice 14-09 (MAP-21 Guidance)
- HUD Tenant Assistance, Relocation and Real Property Acquisition Handbook 1378 (Policy & Guidance)
- HUD's Acquisition and Relocation Website
- Real Property Acquisition Process Flowchart
- Temporary Relocation
- URA the HUD Way Appeals Process
- URA the HUD Way Recordkeeping Checklist
- Multifamily Accelerated Processing (MAP) Guide 4430.G
- Section 414/Stafford Act—Additional Waivers
- Uniform Act Frequently Asked Questions

CHAPTER 5

MONITORING STRATEGIES AND PROCEDURES

CONTENTS	PAGE
Introduction.....	5-2
Importance of Subrecipient Monitoring	5-2
Regulatory Requirements	5-2
Overall Monitoring Guidelines	5-3
Development of a Monitoring Plan	5-3
Preparing for Monitoring	5-6
Conducting the Monitoring	5-7
Concerns and Findings, Corrective Actions, and Sanctions.....	5-9
Progressive Sanctions	5-10
Recognize Accomplishments.....	5-12
Auditing Requirements	5-13
Additional Sources of Evaluation Information	5-13
Conclusion	5-13

RESOURCES

Summary of Monitoring Objectives.....	5-15
Checklist for Monitoring of a Subrecipient.....	5-16
Example of a Grantee Monitoring Letter to a Subrecipient	5-21
Review of IPA Audit Reports	5-24

INTRODUCTION

This chapter offers strategies and procedures you can use, even with limited staff, to develop a consistent and thorough monitoring process that will improve your tracking of subrecipient activities, avoid problems of noncompliance, and improve subrecipients' delivery of services while fulfilling your regulatory monitoring responsibilities.

IMPORTANCE OF SUBRECIPIENT MONITORING

The use of subrecipients to administer all or part of your CDBG program increases the likelihood that you will, at some point, experience compliance problems. See [Summary of Monitoring Objectives](#) in the Resources section.

Monitoring is an effective management tool for ensuring that your subrecipients:

- Comply with all regulations governing their administrative, financial, and programmatic operations; and
- Meet the performance objectives identified in their subrecipient agreement on schedule and within budget.

Both are important; for example, if your subrecipients comply with applicable program regulations yet fail to achieve their service or project goals, you risk wasting valuable CDBG resources. On the other hand, if they deliver services to a large number of program beneficiaries, yet in the process violate program regulations, they put themselves, the community, and you at risk of serious monitoring findings by HUD, the disallowance of costs, and the termination of activities.

REGULATORY REQUIREMENTS

Federal regulations are explicit regarding your monitoring responsibilities.

2 CFR 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

The Office of Management and Budget issued revised monitoring guidance for grantees in 2013 under 2 CFR 200. The result was the consolidation of and changes to government-wide uniform administrative requirements, cost principles, and audit requirements for all federal awards, including the CDBG Entitlement program. Grantees are responsible for managing and monitoring their subrecipients' performance and compliance with federal rules and regulations. As a grantee, you are also responsible for taking appropriate action when you identify performance and compliance issues.

- [2 CFR 200.328](#)—Monitoring and reporting program performance
- [2 CFR 200.331](#)—Requirements for pass-through entities

24 CFR 570—Community Development Block Grants

CDBG regulations also address your responsibilities for monitoring the performance of your subrecipients and ensuring their compliance with federal regulations.

- [24 CFR 570.501](#)—Responsibility for grant administration
- [24 CFR 570.503\(b\)\(1\)](#)—Agreements with subrecipients

The use of subrecipients to carry out your CDBG program activities does not relieve you of these responsibilities ([as stated in 24 CFR 570.501\(b\)](#)).

Subrecipient Oversight and Monitoring—A Roadmap for Improved Results, issued by HUD's Office of Inspector General, highlights the importance of effective subrecipient management and oversight.

OVERALL MONITORING GUIDELINES

Develop a positive, supportive working partnership with your subrecipients. Remember that your primary goal is to assist them in achieving program goals while ensuring their CDBG activities comply with federal rules and regulations.

Establish a process that avoids giving them the impression that the sole purpose of your monitoring program is to write them up for noncompliance. If your subrecipients feel this is the focus of your monitoring efforts, they are likely to become uncooperative and resentful.

- Provide positive feedback. Acknowledge what they have done well.
- Focus on how they can improve their performance.
- Create opportunities to communicate. Identify and resolve points of miscommunication or misunderstanding.
- Assume your view is not always correct. Develop an appreciation of their perspectives.
- Encourage them to identify what technical support or training they need to improve their performance.

DEVELOPMENT OF A MONITORING PLAN

Develop a monitoring plan at the beginning of your program year.

- Identify the monitoring needs of your subrecipients.
- Develop a monitoring strategy.
- Establish a monitoring schedule.
- Create a monitoring checklist and workbook.

Identify the Monitoring Needs of Your Subrecipients

Conduct a risk assessment of your subrecipients to determine their technical assistance needs, how often to monitor them, and how to structure your monitoring. Recognize that you may not be able to monitor each of your subrecipients as frequently and thoroughly as you would like due to the capacity of your staff.

Decide which of your subrecipients are most likely to need your assistance and who will require in-depth monitoring. Consider conducting more limited monitoring of your higher-performing subrecipients. Regardless of how you structure your monitoring plan, you must evaluate the activity of each of your subrecipients.

More frequent or comprehensive monitoring is appropriate for high-risk subrecipients that:

- Are new to the CDBG program,
- Have experienced a turnover in key staff positions or a change in goals or direction,
- Have previous compliance or performance problems,
- Are carrying out high-risk activities (such as economic development), and/or
- Are undertaking multiple CDBG activities for the first time.

A more narrowly focused monitoring approach is appropriate for lower-risk, more experienced subrecipients and could include a review of:

- Aspects of their operations affected by changes in regulations or clarifications of regulations issued by HUD,
- New activities they are undertaking, and/or
- Operational changes recommended in prior monitoring visits.

Keep in mind that even your most experienced and successful subrecipients may have the occasional monitoring finding. Periodic comprehensive monitoring of each of your subrecipients will help address identified problems that may come up while reinforcing the importance of complying with federal regulations.

Develop a Monitoring Strategy

Determine the best method to monitor your subrecipients and provide needed technical assistance and training.

Effective monitoring strategies include:

- **Remote review of subrecipient documents.** A review of documents and other materials to verify compliance with federal rules and regulations. Appropriate for all subrecipients.
- **Pre-monitoring.** An informal discussion of the monitoring process and potential areas of noncompliance. May include technical assistance or training. Appropriate for new or higher-risk subrecipients.
- **Monitoring.** A formal monitoring visit—held remotely or on-site—to evaluate program compliance. May include interviews, inspections, and document review. Appropriate for at-risk subrecipients and those you have not recently visited.

Establish a Monitoring Schedule

Your monitoring plan should specify when you expect to monitor each of your subrecipients.

Subrecipients undertaking a new program activity will benefit from a monitoring—or technical assistance—conducted early in the program year. The detection and resolution of issues before they become problems will help prevent monitoring findings at the end of the program year.

Defer monitoring interactions related to activities that require a long time to unfold until later in the program year. Do not initiate monitoring before there is anything of substance to monitor.

Monitoring is not just a one-time event. It is an ongoing process requiring continuous planning, implementation, communication, and follow-up with your subrecipient throughout your CDBG program year.

Create a Monitoring Checklist and Workbook

You can dramatically increase the efficiency, quality, thoroughness, and consistency of your monitoring efforts with the use of a monitoring checklist and workbook.

- **A monitoring checklist** will ensure that you examine the correct items for the activity area in question. Your list will vary depending on the activity area you are monitoring. For example, for rehabilitation activities, you need to test for compliance with lead-based paint regulations and required inspections.
- **Monitoring workbooks** allow you to collect data in a form that summarizes the results of your review and simplifies the preparation of your monitoring letter.

The more detailed your monitoring checklist and workbook, the more helpful your monitoring staff will find them. Consider including the following in your guide and workbook:

- Regulations and laws that govern each activity area,
- Standards that your subrecipient must meet,
- Types of documentation required,
- Accounting systems that will satisfy the identified standards, and
- Actions your monitoring staff will take to determine compliance.

Primary components of an effective monitoring checklist or workbook:

- Activity summary (objectives, grant amount, dates, term)
- Status of project
- Applicable regulations
- Documentation requirements
- Problems encountered

If you do not have a monitoring checklist or workbook for subrecipient monitoring, you should develop one.

Monitoring Questions

The following is a sample of the questions you might ask during your review of your subrecipients' files. Designed to help you determine whether your subrecipients are complying

with federal requirements, they may also provide insights into the overall operation of your subrecipients.

- Were the correct income limits applied when the low- and moderate-income benefit was determined? Was the household income calculated correctly?
- Do the costs associated with the activities provided by your subrecipients appear reasonable?
- For housing rehabilitation projects, is the cost of the construction work included in the contract and, if so, does it appear reasonable for the work performed? Do the work write-up and cost estimate address the building deficiencies identified in the initial inspection of the property?
- Is there documentation in the file to support compliance with lead hazards requirements?
- If applicable, were Davis-Bacon requirements met? Is there documentation verifying compliance in the file?
- Was a basic financial underwriting analysis conducted by your subrecipients prior to providing financial assistance to a for-profit business?
- Is there documentation in the file to support the retention of jobs for low- and moderate-income individuals by the for-profit business?
- Is there a system in place to properly service all CDBG-assisted loans, including deferred payment loans and revolving loan funds?
- How are charges to your CDBG program for salaries and wages documented?
- Are there sufficient records maintained by your subrecipients to demonstrate compliance with CDBG program requirements?
- Do your subrecipients' accounting records contain information on their CDBG awards, obligations, unobligated balances, assets, liabilities, expenditures, and program income?
- Can your subrecipients demonstrate that their systems and/or procedures can collect accurate information for their progress reports?

Monitoring Resources

The Resources section of this Guide includes several useful sources that will assist you in developing your own process for management, monitoring, and oversight of your subrecipients, including a [Checklist for Monitoring of a Subrecipient](#) that will give you a head start in developing your own procedures. You may wish to review certain areas in greater depth or annually determine your priority areas for examination.

HUD has also issued an online monitoring guide—the [CDBG Monitoring Handbook \(6509.2\)](#)—that, although written for HUD reviewers, can be helpful when evaluating subrecipient compliance with various elements of your CDBG program. [Chapter 2](#) of the Monitoring Handbook offers guidance on the management of your monitoring efforts and [Chapter 3](#) of the Monitoring Handbook focuses on the CDBG Entitlement program. The exhibits included in the handbook are also helpful. Exhibit 3-16, for example, details the regulatory requirements used by HUD when reviewing your oversight of subrecipients.

CDBG Monitoring Handbook (6509.2)	
CDBG Entitlement Program Area	Exhibit
General Eligibility	3.1
National Objective	3.2-3.9
Rehabilitation Programs	3.10, 3.11
Economic Development Activities	3.12, 3.13
CDBG Float-Funded Activity	3.14
Neighborhood Revitalization Strategy Area	3.15
Subrecipient/Community-Based Development Organization (CBDO)	3.16
Overall Management Systems	3.17

CDBG Monitoring Handbook (6509.2)	
CDBG Entitlement Program Area	Exhibit
Uniform Administrative Requirements	3.18-3.21
Homeownership Assistance	3.22
Code Enforcement	3.23
Public Services Cap	3.24

PREPARING FOR MONITORING

Preparation is the key to successful monitoring. The time you invest in the development of your monitoring plan will allow your monitors to focus on the program and operational areas they will investigate.

Prepare Your Monitoring Staff

Make sure your staff knows exactly what they are supposed to do before, during, and after monitoring.

TIM can help you remember how to prepare your staff:

- **T** Training

Training should focus on three areas:

- Policy and regulation review will help your monitors understand what they are observing.
- Monitoring protocol will teach your monitors how to prepare for visits, what they can and cannot say or do, what they should record, and the methods they must use.
- Communications skills will enable your monitors to develop healthy, cooperative, productive relationships with subrecipients.

- **I** Identification of roles and responsibilities

If you plan to conduct a comprehensive review of a subrecipient that is undertaking a range of CDBG-funded activities or likely to have serious compliance problems, sending a team of monitors might make the process more efficient and thorough.

If more than one staff member is assigned to monitor a subrecipient, clarify their individual roles.

Many grantees use two or more monitors to examine fiscal and program performance and measure regulatory compliance.

- **M** Mentoring

Mentoring allows staff new to the monitoring process to learn from more experienced team members. Pair new monitoring staff with your most experienced staff so they may learn firsthand how to prepare for, conduct, and follow-up on a monitoring visit.

Check in with your monitoring staff periodically to make sure they are doing their job.

Review Subrecipients' Documents

Review your in-house documents to evaluate their compliance with program regulations prior to any planned monitoring visit. This remote review—also known as a desk audit—can include the subrecipients':

- Application for CDBG funding
- Executed Subrecipient Agreement
- Progress reports
- Drawdown requests

- Previous monitoring reports
- Independent or federally conducted audit reports

The review of these materials will help you and your monitoring staff to identify:

- Changes made in the subrecipients' CDBG activities; and
- Potential problem areas to examine during the on-site visit.

Work with your Subrecipients

Consider scheduling a pre-monitoring meeting with your subrecipients. As detailed in [Chapter 4](#), this more informal discussion can reduce the number of noncompliance problems identified during your formal monitoring visit.

Pre-monitoring will allow you to:

- Inform subrecipients about your monitoring procedures,
- Discuss the information you will be examining during the subsequent visit,
- Identify apparent or potential weaknesses in the subrecipients' operations, and
- Offer suggestions on how to correct these weaknesses before the formal monitoring takes place.

Communicate ahead of time your definition of satisfactory performance, including keeping adequate records and assuring the timely delivery of services specified in the Subrecipient Agreement.

CONDUCTING THE MONITORING

Monitoring is an opportunity to work with your subrecipients to recognize their accomplishments, identify ways they can overcome problems, and improve their operations. While it can be stressful for your subrecipients, and they may act defensively as a result, keep in mind that the main objective of monitoring is to assist your subrecipients.

Ask yourself, "Is the program purpose being accomplished? Are program beneficiaries receiving services as intended? Are CDBG program requirements being met?"

Avoid becoming too informal or casual when discussing the monitoring process with your subrecipients. You may discover serious problems that require you to mandate corrective actions or even sanctions. They need to clearly understand that you will take any problems you find seriously.

Five Steps in a Monitoring Visit

There are five basic steps to any monitoring visit.



Notification Letter

Begin the monitoring process with an email or letter to your subrecipient. Explain the purpose of the monitoring and arrange a mutually convenient date for the meeting.

Send a formal notification letter a minimum of two weeks before the scheduled meeting to:

- Confirm the dates and the scope of the monitoring,
- Provide a description of the information you want to review,
- Identify the staff members you will need to meet with,
- Specify the expected duration of the monitoring,
- Clarify what, if any, office space you will need, and
- Identify who on your staff will be participating in the monitoring.

Call or email your subrecipients a week before the scheduled meeting to remind them of the upcoming monitoring.

Entrance Conference

Meet with the subrecipients' directors and appropriate financial and program staff before you begin your monitoring.

Use this opportunity to:

- Explain the purpose of the monitoring visit and your monitoring responsibilities,
- Reinforce the importance of complying with federal regulations,
- Verify the programs and activities you will review,
- Introduce the members of your monitoring team and explain their roles,
- Set up or confirm meeting or interview times with subrecipient staff or clients,
- Confirm or schedule physical or virtual inspections of properties or program sites,
- Gain access to needed files or work areas, and
- Schedule or confirm the time and location of your exit conference.

Documentation of Monitoring Activity

Document monitoring activity. The more you document, the easier it is to analyze the information you review, develop conclusions based on your meeting with your subrecipient and in-house document review, and explain the basis for any findings that appear in your monitoring letter.

Document your activity using your monitoring checklist or workbook to note case numbers, statistics, or financial figures provided by your subrecipients. Record the names and dates of policies and other documents you review.

Keep a clear record of your monitoring activity:

- Note the actions you take during the monitoring.
- Identify the materials you review.
- Document the conversations you have with your subrecipients' staff.
- Photograph any properties or program sites you inspect; record your observations.

Being able to identify the sources of the information you use to arrive at your monitoring conclusions is important if your subrecipients dispute any of your finding(s).

Exit Conference

Meet with key representatives of the subrecipient organizations at the end of your review to present the tentative conclusions of your monitoring. Encourage your subrecipients to include their Executive Director and members of their Board of Directors in the discussion.

The exit conference will allow you to:

- Acknowledge their accomplishments,
- Present the preliminary results of the monitoring observations, and
- Secure additional or clarifying information from subrecipient staff.

The exit conference is also an opportunity for your subrecipients to:

- Correct any misconceptions or misunderstandings on your part, and
- Report on actions being taken to correct any apparent deficiencies identified during monitoring.

Maintain careful notes during the exit conference—including the date and time of the meeting and the names and titles of attendees—documenting your discussion. Record what you told your subrecipients and whether they agreed or disagreed with your tentative findings.

Confirm that both you and your subrecipients have a clear understanding of your findings and the areas of agreement and disagreement by the end of the exit conference.

The “Monitoring Summary Form” (included in the [CPD Monitoring Handbook \(6509.2\)](#)) will help you summarize your preliminary conclusions clearly and concisely during the exit conference.

Monitoring Letter

Issue a monitoring letter (see [Example of a Grantee Monitoring Letter to a Subrecipient](#)) to your subrecipients not more than thirty days after the date of your exit conference. This is especially important if the letter details significant problems in your subrecipients’ operations. The longer you wait to issue your monitoring letter, the worse the problems will get and the more difficult it will be to solve them.

Keeping in mind that the main objective of monitoring is to assist your subrecipients; make your letter positive in tone. The monitoring letter should:

- Recognize areas where your subrecipients have performed well,
- Acknowledge significant improvement in past problem areas,
- Identify specific areas of noncompliance and/or deficiencies (findings and concerns),
- Specify how to address identified findings of noncompliance (corrective actions),
- Include specific recommendations for improving areas of concern, and
- Establish a deadline for your subrecipients to respond to identified findings.

A lengthy delay in the preparation of the letter or failure to follow up may cause your subrecipients to conclude that their performances are satisfactory or that you condone their failures to comply with program regulations. You cannot delay your monitoring letter and then require the subrecipients to take “immediate action” to correct their deficiencies. Do not ask the subrecipients to meet a standard to which you, as the grantee, do not follow.

The use of standardized language in your monitoring letter will speed up the process and ensure a more even-handed treatment of subrecipients with similar monitoring problems. An [Example of a Grantee Monitoring Letter to a Subrecipient](#) is included in the Resources section of this Guide.

CONCERNS AND FINDINGS, CORRECTIVE ACTIONS, AND SANCTIONS

A **concern** is a weakness in your subrecipients’ operations or performance which may become a finding in the future if not addressed.

- Identify the specific area of concern, its cause, and the potential impact on future program funding if it continues.
- Include specific recommendations for improvement for each of the concerns you identify in your monitoring letter.
- You can, but do not need to, require a written response from your subrecipients regarding any concern noted in your monitoring letter.

A **finding** is a material deficiency in your subrecipients’ operations or program performance

which is a violation of a statutory, regulatory, or program requirement.

- A finding must be:
 - Clearly and correctly identified in your monitoring letter;
 - Based on an applicable law, regulation, or program policy; and
 - Supported by the facts presented in your monitoring letter.
- You must identify the corrective actions required to address each finding and establish deadlines for their implementation.
- Give your subrecipients an opportunity to respond to the finding and provide additional information demonstrating compliance.

Clearly describe your standards for satisfactory performance and the sanctions and rewards for performance to your subrecipients. Make sure they are consistently applied.

Corrective Actions—corrective action plans—are measures your subrecipients must take to resolve an identified finding of noncompliance.

- A corrective action plan should include:
 - A description of each finding of noncompliance,
 - Clear and specific steps your subrecipients must take to correct the finding,
 - Milestones to measure the progress of your subrecipients,
 - A timetable for completion of each corrective action, and
 - A description of future monitoring to ensure implementation.
- Discuss the corrective action plan with your subrecipients to determine their capacity to implement the steps included in the plan.
- Inform your subrecipients of the sanctions you will impose should they fail to take effective action to become compliant with federal regulations.

A **sanction** is a penalty or punitive or restrictive measure HUD may impose when a subrecipient fails to comply with federal regulations.

- There are three types of sanctions that you can impose against individuals and entities participating in its programs:
 - **Limited Denials of Participation (LDPs)** are sanctions of the shortest duration usually lasting one year and normally restricted to a specific geographic area and specific HUD program area.
 - **Suspensions** are temporary in nature, pending the outcome of an investigation or an indictment or based on adequate evidence that supports claims of program violations.
 - **Debarments**, the most serious compliance sanctions, often in effect for a period of three years or longer, exclude an individual or entity from participating in any federal procurement or non-procurement program.
- If your subrecipients fail to resolve identified findings and continue to operate in noncompliance with federal regulations, the imposition of sanctions is appropriate.
- Be clear with your subrecipients about when you will impose sanctions.

PROGRESSIVE SANCTIONS

Consider the gradual escalation of sanctions if your subrecipients continue to perform poorly and fail to complete the required corrective actions identified in your monitoring letter. Contact your CDBG field representative for guidance on when and how to apply progressive sanctions.

A successful progressive sanctions approach requires you to:

- Discuss identified noncompliance problems with your subrecipients as early as possible,
- Clearly identify the specific actions required to correct these problems,
- Establish a timetable for implementation of the identified corrective actions, and

- Explicitly explain the consequences for failing to meet these standards by the established deadline.

Benefits of Progressive Sanctions Approach

A progressive approach to sanctions has several benefits:

- Most problems are easier to resolve when they are still minor in nature.
- If your subrecipients refuse to take corrective action, you can document that you gave them every consideration before you imposed serious penalties.
- You can demonstrate to HUD that you are pursuing a reasonable, yet serious, course to get your subrecipients to address their deficiencies in a timely manner.

Stages of Progressive Sanctions

The three stages of progressive sanctions range from simply making your subrecipients aware of their operational weaknesses to disallowing expenses or terminating program activities.

Stage I: Early Warning/Early Response

Stage I begins when your subrecipients' compliance problems come to your attention. Your tracking and monitoring systems should bring the problem to light before it presents serious financial implications for your subrecipients.

You have three options for implementing an early intervention strategy:

- **Plan an intervention strategy with subrecipients that involves additional training or technical assistance.** In this response, you assume some of the responsibility for helping your subrecipients to correct the problem. Although this response may require staff time not readily available, the time spent can be both effective in bringing them back into compliance with federal regulations and beneficial in enhancing your relationship with your subrecipients.
- **Require more frequent or more thorough reporting.** This imposes a mild sanction on your subrecipients while improving your ability to track the progress they make to correct identified monitoring findings.
- **Conduct more frequent on-site monitoring or follow-up monitoring.** While this approach requires additional effort on your part, this is an effective approach for addressing more serious or widespread deficiencies in your subrecipients' operations. Give them a specific deadline for correcting the identified finding, then review their progress to ensure that they have properly implemented the required corrective action.

If the support and milder sanctions you impose in Stage I do not work, you may have to take more decisive action. You may also want to skip Stage I and move directly to Stage II if you have found that your subrecipients have serious or widespread problems that demand an emphatic response.

Stage II: Intervention for More Serious or Persistent Problems

Actions to consider at this stage include:

- **Restrict payment requests.** You can restrict the frequency of payment requests or the budget line items for which your subrecipients can submit a payment request. You can also increase the documentation they must provide before you will disburse funds, allowing you to closely monitor the implementation of the required corrective action.
- **Disallow expenses or require repayment.** This is a severe sanction, as many subrecipients have limited unrestricted funds for making repayments. In some cases (for example, when your subrecipients incur program expenses prior to environmental review clearance), you may have no option other than to disallow the expenses. In other instances, you might allow them to provide additional documentation to validate an expense or find another way to avoid the disallowance on the condition that they significantly improve their operations.

- **Impose a probationary status.** You can take this step when your subrecipients have significant or widespread shortcomings in their operations and have ignored your efforts to bring about corrective action. With this step, you are giving notice that you will terminate their grant awards if they do not correct the findings identified in your monitoring letter.

You are responsible for how your subrecipients spend their CDBG grants. If HUD decides to disallow costs incurred by your subrecipients, you are responsible for reimbursing HUD and must decide if you want to pass the disallowance on to your subrecipients.

Stage III: Red Alert

Stage III includes “last-ditch” measures to turn around the situation with poorly performing subrecipients. Suggested sanctions include:

- **Temporarily suspend the subrecipients (or the activity).** This action should help convince your subrecipients that your concerns are serious. However, an action of this severity also suggests that their operations are in such bad shape that you will need to provide intensive technical assistance before they can get their systems back into compliance.
- **Do not renew the subrecipients for the next program year.** This is often the easiest approach to terminating badly performing subrecipients. Do not wait to terminate their Subrecipient Agreement, however, if there is a significant possibility that they will continue to mismanage or misuse CDBG funds in the current program year.
- **Terminate the subrecipients in the current program year.** If you plan to take this action, review the terms and conditions for termination in their Subrecipient Agreements (e.g., allowable reasons for termination, rights of appeal, access to and maintenance of records, computation of compensation due in the event of termination, disposition of property bought with CDBG funds, and the general liability of the subrecipients). Discuss your options with your CDBG field representative and your attorney.
- **Initiate legal action.** You may need to follow termination with legal action to gain control of program funds, records, and property, or to recover improperly spent funds. Work with your attorney before initiating any legal action.

RECOGNIZE ACCOMPLISHMENTS

It is easy to overlook the accomplishments of your subrecipients, especially if you have a full workload and limited staff. Make the time to celebrate their achievements.

There are a variety of simple ways you can recognize the performance and regulatory compliance of your subrecipients. Regardless of what you do, they will appreciate the recognition.

- Present a letter of commendation from a local elected official.
- Make a proclamation recognizing their accomplishments.
- Hold annual awards ceremonies for the best performers in various categories of activities.
- Highlight their achievements on your website or other social media communications.
- Work with media outlets to do a feature story.
- Ask local officials or visiting dignitaries to visit their site.

Consider setting aside funds in activity categories to provide additional funding for high-performing subrecipient activity. Your written Subrecipient Agreements may include incentive clauses stating that documented levels of performance within a specified timeframe will automatically result in supplemental funding for the activity area in which the subrecipients have excelled. Alternatively, you might invite a select group of top-performing subrecipients to compete for extra funding under a contingency-funded bonus round. In all such cases, however, you need to satisfy the citizen participation requirements of the CDBG program with respect to the new or increased activities.

AUDITING REQUIREMENTS

Federal regulations require you and your subrecipients to complete a single audit or a program-specific audit when you spend more than \$750,000 in federal funds during your fiscal year ([2 CFR 200, Subpart F—Audit Requirements](#)).

An independent public accountant typically performs these audits.

- A **single audit** is required when the total expenditure of all federal funds received by you or your subrecipients exceeds \$750,000.
- A **program-specific audit** is required when you spend more than \$750,000 from a single federal program (e.g., the CDBG program).

If you or your subrecipients expend less than \$750,000 in federal funds, you are exempt from the audit requirements for that year. You must, however, maintain your records and make them available for review or audit by HUD and/or the Government Accountability Office.

ADDITIONAL SOURCES OF EVALUATION INFORMATION

Subrecipient IPA Audits

Audits conducted by an Independent Public Accountant (IPA) can provide important information on subrecipients' finances and compliance with relevant fiscal requirements of the CDBG program. They are helpful in reviewing how subrecipients allocated expenses across multiple federal sources and how well your subrecipients are performing.

Establish a system for tracking when your subrecipients' audit reports are due (detailed in [Chapter 6](#)). The materials included in this Guide's Resources section offer helpful tips on how to review IPA audits (see [Review of IPA Audit Reports](#) in the Resources section).

Subrecipient Reports

Your subrecipients may prepare quarterly or annual reports on their operations. These reports provide an appropriate context for your own monitoring by identifying areas you may want to explore in greater detail.

Local Agency Evaluations

Other local agencies that work with the subrecipients may conduct their own evaluations. These evaluations may identify generic characteristics of the subrecipients' operations that are relevant to their CDBG activities as well. They can suggest aspects of the subrecipients' operations that should receive special attention during your monitoring, particularly for subrecipients that you have not monitored recently.

HUD Audits

HUD's Field Office staff, its Office of Inspector General (OIG), or even the U.S. Government Accountability Office (GAO) may audit your subrecipients. These audits are important as they may identify deficiencies you were not aware of or did not consider serious concerns. In such instances, you need to become directly involved in determining if their findings are valid. If confirmed, work with your subrecipients to resolve these problems.

CONCLUSION

In this chapter, you learned how to develop a monitoring plan and process for evaluating the performance of your subrecipients and their compliance with federal rules and regulations.

You should now be able to:

- Develop a monitoring checklist and handbook.
- Design an efficient and thorough monitoring process.

- Prepare your staff and your subrecipients for an on-site monitoring visit.
- Understand the difference between a concern and a finding of noncompliance.
- Conduct an exit conference and prepare a follow-up monitoring letter.
- Identify when progressive sanctions for noncompliance with federal regulations are appropriate
- Acknowledge the accomplishments of successful subrecipients.

NOTES

SUMMARY OF MONITORING OBJECTIVES

1. To determine if a subrecipient is carrying out its community development program, and its individual activities, as described in the application for CDBG assistance and the Subrecipient Agreement.
2. To determine if a subrecipient is carrying out its activities in a timely manner, in accordance with the schedule included in the Agreement.
3. To determine if a subrecipient is charging costs to the project that are eligible under applicable laws and CDBG regulations, and reasonable in light of the services or products delivered.
4. To determine if a subrecipient is conducting its activities with adequate control over program and financial performance, and in a way that minimizes opportunities for waste, mismanagement, fraud, and abuse.
5. To assess if the subrecipient has a continuing capacity to carry out the approved project, as well as future grants for which it may apply.
6. To identify potential problem areas and to assist the subrecipient in complying with applicable laws and regulations.
7. To assist subrecipients in resolving compliance problems through discussion, negotiation, and the provision of technical assistance and training.
8. To provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected by subrecipients, and not repeated.
9. To comply with the Federal monitoring requirements of 24 CFR 570.501(b) and with 2 CFR 200.328 and 200.331, as applicable.
10. To determine if any conflicts of interest exist in the operation of the CDBG program, per 24 CFR 570.611.
11. To ensure that required records are maintained to demonstrate compliance with applicable regulations.



CHECKLIST FOR MONITORING OF A SUBRECIPIENT

Subrecipient _____

Project Name/Agreement No. _____

Project Director _____

In-house review and general oversight conducted on _____

On-site monitoring visit(s) conducted on _____

Monitoring letter sent on _____

Follow-up monitoring visit conducted/letter sent on: _____

A. National Objective and Eligibility

1. Which National Objective does this project meet (24 CFR 570.208)?

Benefit to Low- and Moderate-Income Persons

___ Low/Mod Area Benefit

___ Limited Clientele Benefit

___ Low/Mod Housing Benefit

___ Job Creation or Retention

Aid in the Prevention or Elimination of Slums or Blight

___ on an Area Basis

___ on a Spot Basis

An Urgent Need

___ Needs having a Particular Urgency

2. Which eligibility category does the project meet? (24 CFR 570.201–6)?

B. Conformance to the Subrecipient Agreement

1. Contract Scope of Services: Is the full scope of services listed in the Agreement being undertaken? List any deviation.
2. Levels of Accomplishments: Compare actual accomplishments at the point of monitoring with planned accom-

plishments. Is the project achieving the expected levels of performance (number of persons served, number of units rehabilitated, etc.) and reaching the intended client group? Explain any problem the subrecipient may be experiencing. Acknowledge major accomplishments.

3. Time of Performance: Is the work being performed in a timely manner (i.e., meeting the schedule as shown in the Agreement)? Explain.
4. Budget: Compare actual expenditures versus planned expenditures. Note any discrepancies or possible deviations.
5. Requests for Payment: Are requests for payment being submitted in a timely manner and are they consistent with the level of work accomplished? Is program income properly accounted for and recorded? Explain.
6. Progress Reports: Have progress reports been submitted with payment requests (where required) on time and were they complete and accurate?
7. Special Conditions: Does the project conform to any special terms and conditions included in the Subrecipient Agreement? Explain.

C. Record-Keeping Systems (24 CFR 570.506)

Records should demonstrate that each activity undertaken meets the criteria for National Objectives compliance. Such records should be found in both the grantee's project file and the subrecipient file.

1. Filing System: Are the subrecipient's files orderly, comprehensive, secured for confidentiality where necessary, and up to date? Note any areas of deficiency.
2. Documentation (activities, costs, and beneficiaries): Do the Housing and Community Development project files and subrecipient records have the necessary documentation supporting the National Objective being met, eligibility, and program costs as they relate to 24 CFR 570.506? Do the project files support the data the subrecipient has provided for the CAPER?
3. Record Retention: Is there a process for determining which records need to be retained and for how long?
4. Site Visit (where applicable): Is the information revealed by a site visit consistent with the records maintained by the subrecipient and with data previously provided to the grantee? Explain any discrepancies.
 - a. Is the project manager located on-site and running the day-to-day operations? Do the staff seem fully informed about program requirements and project expectations? Explain.
 - b. Is the project accomplishing what it was designed to do? Explain any problems.

D. Financial Management Systems (2 CFR Part 200)

1. Systems for Internal Control: See [2 CFR 200](#). Are systems in compliance with accounting policies and procedures for cash, real and personal property, equipment, and other assets?
2. Components of a Financial Management System: Review the chart of accounts, journals, ledgers, reconciliation, data processing, and reporting system. Note any discrepancies.
3. Accounting: Compare the latest performance report, drawdown requests, bank records, payroll records, receipts/disbursements, etc. Note any discrepancies.
4. Eligible, Allocable, and Reasonable Costs: See [2 CFR 200](#). Pay particular attention to the time distribution records where the subrecipient has employees who work on both CDBG and non-CDBG funded activities. Note any discrepancies.
5. Cash Management/Drawdown Procedures: See [2 CFR 200](#). Has all cash been promptly drawn down and deposited? Are all drawdowns of Federal funds properly recorded? Note any discrepancies.
6. Management of Program Income: If the subrecipient generates program income, refer to 24 CFR 570.504 and the Subrecipient Agreement about its use. Note any discrepancies.
7. IPA Audit Reports/Follow-up: See [2 CFR 200](#). Determine if the subrecipient has expended \$750,000 or more in Federal funds for the subject program year.

IPA Audit Required Yes___ No___ N/A___

Date Conducted _____

Any findings related to CDBG activity? Status? Explain.

8. Maintenance of Source Documentation: See [2 CFR 200](#). Note any discrepancies in sample records, invoices, vouchers, and time records traced through the system.
9. Budget Control: See 2 Do actual expenditures match the line item budget? Note any discrepancies.

E. Insurance

1. Has the subrecipient submitted a current copy of its Certificate of Insurance?
2. Is the City named as an additional insured?

F. Procurement

1. Procurement Procedures: Do the procedures the subrecipient uses for procurement of goods and services meet CDBG requirements? Review a sample number of procurements.
2. Conflict of Interest: How does the subrecipient assure there was no conflict of interest, real or apparent? Review the process and comment.

G. Equipment and Real Property

1. Has the subrecipient acquired or improved any property it owns in whole or in part with CDBG funds in excess of \$25,000? If yes, review for compliance with [2 CFR 200.313](#).
2. Has the subrecipient purchased equipment with CDBG funds? Does the subrecipient maintain the records required at [2 CFR 200](#)?
3. Has a physical inventory taken place and the results reconciled with property records within the last two years?
4. If the subrecipient disposed of equipment/property that was purchased with Federal funds within the last five years:
 - a. Were proceeds from the sale reported as program income?
 - b. Did the grantee approve expenditure of program income?
 - c. Was the program income returned to the grantee?

H. Non-Discrimination and Actions to Further Fair Housing

1. Equal Employment Opportunity: Refer to 24 CFR 570.506, 601, and 602. Note any deficiencies.
2. Section 3: Opportunities for Training and Employment for Local Residents – Refer to [24 CFR 570.506\(g\)\(5\)](#) and [24 CFR 570.607\(a\)](#) (affirmative action). Note any deficiencies.
3. Fair Housing Compliance: Refer to [24 CFR 570.904](#) and [24 CFR 570.601\(b\)](#). Note any deficiencies.
4. Requirements for Disabled Persons: Refer to 8.6. Note any concerns.
5. Women and Minority Business Enterprises: Refer to [24 CFR 570.506\(g\)](#) and [2 CFR Part 200](#), affirmative steps documentation. Note any concerns.

I. Conclusion and Follow-up

1. Is the subrecipient meeting the terms of the Subrecipient Agreement and HUD regulations? Discuss both positive conclusions and any weaknesses identified.

2. Identify any follow-up measures to be taken by the grantee and/or the subrecipient as a result of this monitoring review.
 - a. List the required schedule for implementing corrective actions or making improvements.

 - b. List the schedule for any needed technical assistance or training and identify who will provide the training.

Project Monitor

Date

EXAMPLE OF A GRANTEE MONITORING LETTER TO A SUBRECIPIENT



August 9, 2021

Ms. Jane Brown
Executive Director
Midtown Community Development Corporation, Inc. (MCDC)
606 Main Street
Midtown, California

RE: Monitoring of MCDC's CDBG Activities

Dear Ms. Brown:

On July 21 and 22, 2021, [Name(s) of Monitor(s)], Monitoring Specialists for the Midtown Office of Community Development, monitored the MCDC's CDBG activities. The MCDC is a subrecipient of the City of Midtown and is carrying out two CDBG-funded programs: an economic development loan program and a housing rehabilitation loan and grant program. The economic development loan program provides financing for both existing and start-up businesses and funds a variety of business needs such as real estate, equipment, inventory, leasehold improvements, and working capital. The housing rehabilitation program assists primarily owner-occupied, low- and moderate-income housing in the East End neighborhood.

The period under review was from July 1, 2021 to June 30, 2021. In addition to examining relevant files in the course of the review, the Monitoring Specialists met with you, the MCDC Finance Director (Jane White), and the MCDC program directors for the economic development and housing rehabilitation programs (Bill Blue and Yvonne Grey, respectively). Monitoring Specialists also visited two assisted projects/cases for each program. An exit conference was held with you and your staff at the MCDC offices on July 22, 2021, to discuss the results of the monitoring.

The purpose of a monitoring visit is to determine whether the subrecipient has implemented and administered CD-BG-funded activities according to applicable Federal requirements. In this monitoring review, particular attention was paid to compliance with eligibility and National Objective requirements. Other areas emphasized were financial management systems, procurement practices, compliance with civil rights requirements, and use of program income.

Overall, the MCDC is making diligent efforts to comply with applicable Federal requirements. The Monitoring Specialists found that the MCDC had achieved significant improvements in their financial management systems and management of program income. During the previous monitoring visit, these two areas had been the source of several serious findings regarding inadequate internal controls and failure to keep proper records on receipt and use of program income. The most recent review, however, revealed that the MCDC's systems and procedures in these areas are now satisfactory. In fact, the MCDC's new bookkeeping system for tracking and reporting on the use of program income, with its automated generation of monthly reconciliations and reports, is exemplary. This office will be recommending its adoption by several other subrecipients in our community.

As a result of this most recent review, we are making two new findings and one concern regarding the use of CDBG funds. A *finding* is defined as a program element that does not comply with a Federal statute or regulation, whereas a *concern* is either a potential finding or a program weakness that should be improved to avoid future problems. The findings and concern are detailed below:

Finding Number 1—Public Benefit Requirements for Economic Development Loans

24 CFR 570.203 of the CDBG regulations provides that CDBG funds may be used to assist a for-profit business, provided the grantee ensures that the appropriate level of public benefit will be derived before funds are obligated for that purpose. In the case of your economic development loan program, this means that a minimum number of full-time equivalent (FTE) jobs must be created or retained for each business assisted, in relation to the amount of CDBG funds

being provided to the business. Moreover, in order to ensure that the assistance provided does not unduly enrich the business, the subrecipient is expected to perform basic financial underwriting of each potential loan to determine that the amount of the contemplated financial assistance is not excessive, taking into account the actual needs of the business in making the project financially feasible. Therefore, a CDBG grantee must review a subrecipient's files for documentation demonstrating that both of these requirements are being met.

The recent review revealed that at least some of MCDC's project files lack sufficient documentation to demonstrate that basic financial underwriting was conducted. Three loans were reviewed in our sample of the files: No-Pest Termite Control, Sportsworld, and New Day Bakery. The files contained financial statements from each business. However, other documentation was not found to indicate that a financial analysis was conducted, and a determination made that the level of assistance provided was appropriate. There was also a lack of information that would demonstrate that the number of FTE jobs to be created by these businesses will meet the public benefit standards (i.e., that no more than \$35,000 per FTE job to be created was being provided to each business).

Corrective Action

MCDC must provide documentation to demonstrate that, for each of these loans listed above, a financial analysis was conducted and a determination made that the level of loan provided was appropriate given the circumstances and that a determination was made that the public benefit limit mentioned above would be met, given the number of jobs expected to materialize. This documentation must be provided to the City of Midtown within thirty (30) days of the receipt of this letter. MCDC must also certify to this office that each of the remaining project loan files contains the documentation missing from these three case files. Lastly, for the next two loans, MCDC is requested to submit documentation supporting these two requirements (financial underwriting and public benefit) to our office for review in advance of loan approval.

Finding Number 2—Program Benefit from Economic Development Loans

24 CFR 570.200(a) of the CDBG regulations requires that each activity assisted with CDBG funds meet one of the three National Objectives. Each provision of assistance to a for-profit business is considered a separate activity; therefore, each business so assisted with CDBG funds must meet a National Objective, and each loan file must contain relevant documentation to that effect. The MCDC has indicated that its economic development loans will meet the National Objective of principal benefit to low- and moderate-income persons through the creation of jobs for low- and moderate-income persons, and 24 CFR 570.506(b)(5) sets forth the requirements for documentation of the National Objective in such cases.

The July 2021 monitoring visit revealed, however, that some MCDC economic development loan project files (cases number A-13, A-17, and A-18) lack the necessary documentation to demonstrate that a National Objective has been met through the creation of jobs, per [24 CFR 570.506\(b\)\(5\)](#).

Corrective Action

MCDC must provide this office with documentation regarding the creation of jobs for loans number A-13, A-17, and A-18. The documentation should include an accounting of the actual number of full-time equivalent positions created, by title, and the number of positions filled by low- and moderate-income persons. For each low- and moderate-income person hired, MCDC must also identify the method used to determine family income prior to the person's being hired, e.g., the Private Industry Council (PIC) referral or copies of the self-certification. If a self-certification is used, it must be signed by the employee and clearly advise that the information may be subject to verification.

Secondly, for all future activities, MCDC must assure this office that a system is in place to maintain documentation for a National Objective for each provision of assistance to a for-profit business.

Lastly, we advised the MCDC staff to provide language in its written loan agreements that would impose consequences upon any business failing to demonstrate a good faith effort in hiring the necessary percentage of low- and moderate-income persons.

Concern Number 1—Compliance with the escrow account requirements set forth in 24 CFR 570.511

The above-referenced regulation sets forth four basic requirements for the use of escrow accounts:

1. The use of escrow accounts is limited to loans and grants for the rehabilitation of primarily residential properties containing no more than four units each.

2. An escrow account shall not be used unless the contract between the property owner and the contractor selected to do the rehabilitation work specifically provides that payment to the contractor shall be made through an escrow account.
3. All funds withdrawn under this section shall be deposited into one interest-earning account with a financial institution.
4. The amount of funds deposited into an escrow account shall be limited to the amount expected to be disbursed within 10 working days from the date of deposit.

Although the MCDC housing rehabilitation program has been able to meet these requirements thus far, a proposed change in the structure, staffing level, and procedures of the MCDC's Finance Office has raised some concerns about the continued ability of MCDC to achieve the 10-day standard for disbursement of escrow account funds.

Requested Action

We request that MCDC, within thirty (30) days of receipt of this letter, forward a detailed description of the proposed MCDC Finance Office re-organization that will reassure this office that there will continue to be a capacity to disburse escrow account funds within ten working days.

We look forward to receiving your responses within thirty (30) days of receipt of this monitoring letter by MCDC. If there should be any reason why your organization would have difficulty responding by this deadline, please contact me immediately.

We should add that the findings from our review, in our view, do not reflect negatively on MCDC's staff and their dedication to ensuring the success of the referenced programs. As previously mentioned, this office's Monitoring Specialists saw ample evidence of significant improvements that have been made by MCDC over the last year in the operations of its two CDBG-funded programs.

Monitoring Specialists appreciated the MCDC staff's continued assistance throughout the monitoring visits.

Sincerely,

[Name of Monitor]

[Title]

Midtown Office of Community Development

REVIEW OF IPA AUDIT REPORTS

In reviewing IPA audit reports, ask yourself the following questions:

1. Does the audit accurately reflect program requirements and funding allocations, and the condition of subrecipient record-keeping systems?

There can be considerable variation in the quality of the work done by IPAs. Therefore, before you can use the information in an IPA audit, you must first decide whether the auditor's review was adequate. Check to make sure that:

- b. The IPA is properly qualified;
- c. The allocations, program periods, categories of expenses, and other data relative to the CDBG program are consistent with your understanding of what the correct figures should be;
- d. The audit reflects the compliance tests and reporting requirements specified in 2 CFR Part 200; and
- e. The audit report reflects any uncorrected deficiencies in the subrecipient's system that you already know about.

2. Did the IPA give an “unqualified” or “qualified” opinion?

A “qualified” opinion may mean that the subrecipient's systems were so inadequate or its documentation so incomplete that the auditor could not offer its opinion with assurance. This is usually a sign of serious problems.

3. Were there “repeat” findings?

You should always be concerned if the subrecipient has not corrected findings from a previous audit.

4. Were there any questioned costs?

A good audit will include a “Management Letter,” which is sometimes not appended to the formal Audit Report

Most IPAs go to considerable lengths to resolve questionable expenses before they issue a report. Therefore, numerous questioned costs, or a single questioned cost of significant size, may mean the subrecipient is doing other things wrong.

CHAPTER 6

SYSTEMS AND PROCEDURES FOR TRACKING SUBRECIPIENT PROGRESS

CONTENTS	PAGE
Introduction.....	6-2
Importance of Information Systems	6-2
Elements of Successful Information Systems	6-2
Performance Monitoring	6-5
Performance Tracking Systems.....	6-7
Common Tracking Problems.....	6-11
Conclusion	6-12

RESOURCES	
Overview: Purpose of Tracking Information.....	6-13
Consolidated Annual Performance and Evaluation Report Information.....	6-14
Sample Monthly Report and Voucher	6-16

INTRODUCTION

The acquisition, organization, analysis, and dissemination of information are integral to the success of your CDBG program. The information and tracking systems you develop to manage this information can help you assess the overall performance of your subrecipients, identify potential trouble spots, and allocate technical assistance and monitoring resources.

This chapter reviews the fundamental elements of information systems and your performance tracking options. While the chapter presumes computer capability, many of the principles discussed apply to manual systems as well.

IMPORTANCE OF INFORMATION SYSTEMS

The development of an effective information system will improve your capacity to monitor the activities of your subrecipients and help them to achieve their program goals while adhering to federal regulations.

ELEMENTS OF SUCCESSFUL INFORMATION SYSTEMS

A successful information system, regardless of how it is used, has:

- A clearly defined purpose
- Well-trained and motivated users
- A simple and well-designed process to collect information
- Carefully selected software
- Powerful and reliable hardware
- A commitment to the routine use of the system

Management information systems can be a powerful tool that can be used to supplement your monitoring efforts, assess your subrecipient's progress, identify problems, and allocate resources.

System Purpose

The procedures you develop to collect information are an essential element of your subrecipient monitoring plan. A carefully crafted information system will help your subrecipients:

- Achieve their program goals.
- Improve their compliance with program rules.
- Increase their awareness of the effectiveness of program activities.

Your information system will also benefit you and your subrecipients in other ways:

- Greater efficiencies in data collection and analysis.
- Increased access to information.
- Improved accountability of staff.
- Increased productivity.

The key to an effective information system is getting the right information to the right person at the right time.

This Guide's Resources section provides an [Overview: Purpose of Tracking Information](#) on a variety of the CDBG activities undertaken by your subrecipients.

System Users

Information systems are only as good as the training and motivation of those who use them. The failure to input accurate and timely information will reduce the quality of your system's output.

Reinforce the importance of the system by rewarding exemplary reporting by providing special recognition or higher "ratings" for future funding awards or withholding approval of a subrecipient's drawdown request due to a missing or inaccurate progress report.

Instruct your staff and your subrecipients on how to use the system.

- Explain the benefits of accurate and timely inputting of information.
- Define the skills needed to complete each of the functions of the system.
- Measure their progress in developing those skills.
- Provide incentives for consistent and accurate input.
- Penalize subrecipients who fail to submit accurate or timely progress reports.

Give your staff and your subrecipients the time and financial support needed to learn how to use the system and adapt their administrative procedures. The collection or input of inaccurate data can be worse than no data if you are lulled into making false assumptions or incorrect decisions about your subrecipients' activities.

Collection of Information

Before you can develop an effective tracking system, it is important that you have a clear understanding of what, why, and how you are collecting information. You need to know:

- **What you are going to measure?** What information do you need to gauge the progress of your subrecipients (e.g., activities undertaken, clients served, units produced, dollars spent)?
- **When you need to measure it?** How often and in what sequence do you need to measure the performance of your subrecipients? While the activities are in process or when completed? On a monthly, quarterly, semi-annual, or annual basis?
- **How you will collect it?** What sources of information will you need? How will you get it?
- **Who will measure it?** Who will be responsible for producing this information? A member of your staff? Your subrecipients?
- **Why you are measuring it?** What is the purpose of the information? To fulfill program requirements? To prepare your Consolidated Annual Performance and Evaluation Report (CAPER)? To manage your program and staff?
- **How you will share it?** Are you collecting the information for your internal use? Will you share it with local elected officials, your CDBG field representative, or the subrecipients' Boards of Directors?

This exercise will help you define the precise steps involved in collecting, entering, sorting, analyzing, and reporting the information you need to measure your subrecipients' progress and monitor their compliance with CDBG regulations and program requirements.

The process you develop to collect information should be as simple as possible in its design and operation. Whenever feasible, use standardized methods or programs that your staff and your subrecipients can learn quickly and that allow them to transfer their knowledge and skills from other systems.

The development of flow charts to identify the activities, sequence of operations, products, and staff responsibilities involved in acquiring information and preparing reports can help establish your reporting process. These charts can range from simple, half-page diagrams to complex, multi-page charts.

The usefulness of the data you collect should be greater than the burden imposed on your subrecipients to collect the information. To the extent feasible, avoid duplicating other reporting requirements of your subrecipients.

You will be able to secure more cooperation from your subrecipients if the data you require them to provide is directly relevant to their operations and useful for their administrative purposes.

Software Selection

The range of software applications available on the market is staggering. Assuming your existing software does not meet your needs, simplify the selection process by:

- **Prioritizing your software needs.** Do you need a specialized activity-specific application

for preparing housing rehabilitation work write-ups or economic development loan applications and underwriting assessments? Will your program benefit from the purchase of grants management or database software? Or can you manage with basic word processing and spreadsheet software with presentation and desktop publishing capabilities?

- **Evaluating your software options.** Once you have identified your software priorities and are exploring your options, keep these questions in mind: Is it designed to do what you need it to do? How easy is it to use? Is it supported by the developer? Can it be integrated into your existing software systems? Is it desktop- or web-based? Is it secure?
- **Contacting current software users.** Talk to people who are currently using any software you are not familiar with to determine how well they like it and how well it works for them.

Computer Hardware Requirements

It is likely that you are considering if, how, or when to upgrade your computer system. Upgrading your computer system should not be a one-time event but rather a continuous, planned process. When selecting computer hardware, consider:

- **Operating system and equipment.** How important it is that you stay with your current operating system and equipment? Does it meet the minimum requirements for the optimum performance of your software applications?
- **Laptop or desktop options.** Will you benefit from the mobility of a laptop? If more than one staff member will use the computer, would a desktop option be more secure?
- **Power and data storage.** The type of operating system that can be utilized, the complexity of the software that can be handled, the amount of data to be stored and manipulated, and the potential for networking are dependent upon the power and capacity of your computer system. Is your current system powerful enough to support the new software you are considering?
- **Reliability of the system.** How frequently will you or your staff use computer equipment? Is it intended for an occasional user or will it drive an entire network?
- **Service and support.** Your ability to work with minimal interruptions is critical to the success of your CDBG program. The purchase of a computer system—with limited or no reliable technical support—could represent a significant risk you should not assume.

The time you invest in researching these questions will pay off in the long run in terms of the suitability of new equipment and your satisfaction with the system. When in doubt, aim for:

- The most computer power you can afford in terms of size and speed,
- The most flexible system that will allow for future expansion of the system, and
- Simplicity over complexity.

Buying new hardware and software does not guarantee an improvement in performance.

Commitment to the System

Your full support of your information system and commitment to following established procedures are key to its successful implementation. A partial commitment to this effort will yield only partial results.

Remember, you are making an investment in your program which will have a positive impact on both you and your subrecipients. By committing to the implementation of your information system, you will:

- Expand the capacity of your organization and your subrecipients,
- Increase the productivity of your respective staffs,
- Improve the accountability of your subrecipients, and
- Strengthen the partnership you have developed with your subrecipients.

PERFORMANCE MONITORING

NOTES

The use of one system for tracking subrecipient information is recommended. Develop a joint system in partnership with your subrecipients that meets both your needs. The use of two systems—yours and theirs—will require you to spend time that could be better spent managing your program, translating the data provided by your subrecipients, and transferring it into your system.

Avoid the duplication of your efforts by meeting with your subrecipients to cooperatively:

- Identify how to measure program activities. Include measurements required for reporting accomplishments in IDIS and the CAPER.
- Establish time periods for measuring performance (e.g., months, quarters, etc.).
- Determine how to allocate costs (i.e., a cost allocation plan).

IDIS AND CAPER PERFORMANCE MEASUREMENTS

The information required to be entered in IDIS and to complete your CAPER will vary depending on the nature of the activities undertaken by your subrecipients. Remember that the combination of the eligible activity category (matrix code) and the national objective being met will largely determine the information collected. A good practice is to clearly indicate to the grantee all of the data needed for both the IDIS setup and completion screens up front to ensure that your subrecipients are collecting and providing the correct information.

Detailed information on the [requirements of the IDIS](#) and guidance on the [preparation of your CAPER](#) is available on [HUD Exchange](#).

Subrecipient Agreements as Tools for Tracking Performance

Your Subrecipient Agreements are both a plan for undertaking CDBG activities and a valuable tool for tracking subrecipients' performances. A well-crafted agreement will provide you with a yardstick for measuring the progress of your subrecipients, allowing you to compare actual progress with the terms of the agreements and determine whether the subrecipients are carrying out the activities as approved, on time, and within budget.

The Subrecipient Agreement identifies what your subrecipients are required to do, how and when it must be done, and how they will be paid for these activities. It is crucial that the agreement clearly—in concrete and unambiguous terms—addresses each of these requirements. These basic units of measurement identified in the agreement provide a framework for your tracking system.

Each Subrecipient Agreement must include “a description of the work to be performed, a schedule for completing the work, and a budget. These items shall be in sufficient detail to provide a sound basis for (you) to effectively monitor performance under the agreement.” ([24 CFR 570.503\(b\)\(1\)](#))

EFFECTIVE PERFORMANCE MEASUREMENTS

Effective tracking of subrecipient performance begins with the development and execution of your Subrecipient Agreement. Make sure the agreement contains the level of detail required to measure your subrecipients' performance. For example:

Useful: “Provide an average of six hours of housing counseling services to each of 50 unduplicated low-income households per month based on a pre-approved curriculum.”

Not Useful: “Provide housing counseling to low-income people.”

Basic Performance Requirements

Your subrecipient agreement must include, as required in [24 CFR 570.503\(b\)](#), the:

- Statement of work (often referred to as a scope of work or scope of services);
- Schedule for completing the work;
- Budget;
- Basis for compensation;
- Reimbursement procedures;
- Treatment of program income, if relevant;
- Compliance with uniform requirements;
- Suspension and termination;
- Reversion of assets;
- Other program requirements relevant to the identified activity; and
- Record-keeping and reporting requirements.

The agreement should frame each of these aspects of your subrecipients' CDBG activities in measurable terms that provide the basic data required in each of its progress reports and drawdown requests.

Chapter 3 of this Guide offers helpful tips on the development of your Subrecipient Agreement.

Developing Performance Measurements

The agreement developed for a subrecipient performing housing rehabilitation service should, at a minimum, include the following detail to allow you to monitor its performance more easily and effectively:

- The **statement of work** should define the number of units to be completed within the program year and the location and neighborhoods where the subrecipient will carry out housing rehabilitation. It should also reference any written statement of subrecipient policies and procedures for the activity, including governing priorities among eligible applicants, eligible repairs and maximum per-unit assistance levels, forms and conditions of financial assistance, recapture and forgiveness policies, etc.
- The **project schedule** should indicate deadlines for completion of individual units and the schedule of subtasks reflecting overall activity (e.g., completion of application intake, determination of income and eligibility of repairs, work write-ups, units out to bid, bids awarded, when 50 percent of the units are to be completed, when 100 percent of the units are to be completed/final inspection). The total number of completed units on the schedule should agree with the statement of work and budget included in the agreement.
- The **method of compensation** should be structured to provide payment based on the delivery of a specific, measurable product, rather than on a general hourly rate. For example, certain housing rehabilitation activities such as work write-ups could be reimbursed on a fixed fee basis with draws for construction labor and materials made proportional to the work in progress. If possible, there should be a set-off (e.g., 10 percent) retained until final inspection and sign-off for any unit. The agreement might also specify an upper limit for how much the subrecipient can spend on any individual unit without an explicit grantee waiver, to ensure that the subrecipient's allocation of funds is not spent on a few disproportionately expensive units.

The Subrecipient Agreement can be used to track performance with respect to the scope, schedule, cost, and quality of your subrecipient's CDBG activity. Other sections of the agreement should complement these basic elements to create a consistent structure for tracking.

"Before and after" photos are an effective way to document performance and record the success of your subrecipient's housing rehabilitation program.

Processing Requests for Payment

Requests for payment (also known as a drawdown), which may be submitted by your subrecipients more frequently than their scheduled progress reports, can provide you with a great deal of insight into what is happening within its operations.

Despite their potential helpfulness in tracking the performance of your subrecipients, not all requests for payment forms capture the information you need for monitoring purposes. If structured properly, the information provided in your form can indicate whether your subrecipients are adhering to the schedule and budget included in their Subrecipient Agreements.

Work with your subrecipients to identify, before any funds are disbursed, who is authorized to request payment, what accounts have been set up to receive payments, and what forms will be used to request payment.

Designing Request for Payment Forms

Your request for payment form can help you identify any gaps between your subrecipients' proposed objectives and their actual activities. At a minimum, your form should include information to help you track the:

Require your subrecipients to submit source documentation, such as invoices from contractors for rehabilitation work, with their request for payment to verify program expenditures.

- Overall status of the subrecipients' CDBG funds:
 - CDBG funds approved to date,
 - Program income received to date,
 - Actual disbursements to date,
 - CDBG funds on hand at the time of the request, and
 - Requests previously submitted but not reimbursed.
- Status of each activity or budget category:
 - Budgeted amount,
 - CDBG funds drawn to date,
 - Program income expended to date,
 - Grant funds expended to date, and
 - Current request for payment.

From this information, you can track your subrecipients' rate of spending in various activity areas or budget categories, which will help determine whether they are using their program income in a timely fashion and drawing down appropriate amounts of grant funds.

Design your request for payment form to include the number of completed units of service such as the number of persons or households served to date associated with the requested payment. This information will help you compare actual completions and expenditures with your subrecipients' original budgets and schedules for the activity. It will also help you to provide timely information on accomplishments in IDIS.

In addition to the standard information required on a request for payment form, it is helpful to have information about units of service delivered during the period in question.

PERFORMANCE TRACKING SYSTEMS

Your ability—and that of your subrecipients—to acquire, organize, accumulate, and report performance information will determine which approach is appropriate for you.

- **Level 1:** Basic Reporting for Individual Subrecipients

- **Level 2:** Tracking Systems for Groups of Subrecipients
- **Level 3:** Integrated Progress Reporting Systems

In general, the larger and more complex your program, the greater the need to develop a fully integrated progress and financial reporting system for your subrecipients.

Central to your monitoring efforts, at the most basic level, is the submission of regular progress reports by your subrecipients. Some grantees require monthly progress reports. Other grantees require progress reporting on a quarterly basis.

Level 1: Basic Reporting for Individual Subrecipients

The usefulness of your subrecipient progress reports hinges on the quality of the data provided to you. If you do not have a lot of confidence in the accuracy of data being reported or if the reports do not provide enough information, it is difficult to use them to measure the achievement of objectives specified in the Subrecipient Agreement.

To improve the utility of these reports:

- Request relevant data,
- Provide clear and detailed instructions,
- Communicate with your subrecipient, and
- Use the requested data.

Reporting content and frequency may vary, depending on program activity and complexity. The quality of the reporting should be non-negotiable.

Request Relevant Data

Make sure the reports capture only the data that is important.

Your progress report format should reflect the:

- Performance measures established in the Subrecipient Agreement,
- Data required by regulations, and
- Data reported in IDIS and your CAPER.

Give your subrecipients the option to include narrative information and other data to provide a fuller picture of their activities.

If you are not sure how you will use a specific piece of information, do not require your subrecipients to report it. Help the subrecipients understand why you need the data you have requested. See [Consolidated Annual Performance and Evaluation Report Information](#) in the Resources section for a listing of information and data items that are useful in tracking subrecipient activity.

Provide Clear and Detailed Instructions

Give your subrecipients clear and detailed instructions on how to submit information and complete the progress report. It is never safe to assume that standardized forms are self-explanatory. The time you spend walking through the reporting process with your subrecipients is likely to yield large benefits in terms of consistency and accuracy.

Provide an example of a completed report to illustrate to your subrecipients how to report the information you need to track their progress.

Communicate with your Subrecipients

If your subrecipients do not submit a report on time or do not complete the report correctly, let them know immediately.

Your subrecipients are likely to attach as much importance to the progress report as you do, so be sure to communicate the importance of timely and accurate submissions. Compare the subrecipients' progress reports with their

Some grantees simplify the review process by requiring the submission of monthly progress reports.

requests for payment. Ask your subrecipients to explain any discrepancies.

Progress reports are good vehicles for capturing details on the use of program income. This information can supplement and clarify the summary information on program income typically included in your subrecipients' drawdown requests.

Use the Requested Data

Using the data included in your subrecipients' progress reports for several purposes helps justify the effort put into preparing them. It can, for example, be useful not only in preparing your CAPER but also in:

- Identifying individual subrecipients experiencing performance problems,
- Creating a database for analyzing trends among subrecipient activities,
- Planning monitoring activity, and
- Documenting the activities and benefits of your program for local officials and the public.

This Guide's Resources section includes an example of a report format developed by a CDBG Entitlement community. Submitted monthly by subrecipients, the report is tied to requests for payments and provides data on performance, units of service provided, and the racial characteristics of beneficiaries. See [Sample Monthly Report and Voucher](#) in the Resources section.

Level 2: Tracking Systems for Groups of Subrecipients

If you have developed a report format that allows you to collect the information you need to track the performance of your subrecipients, consider the use of the following options:

- Milestone tracking
- Financial tracking
- Monitoring status
- Performance reports

These monitoring options allow you to review the status of a large group of subrecipients simultaneously using standardized programs and procedures. You will spend less time figuring out what the problem is and more time working with your subrecipients to resolve the problem.

Milestone Tracking

Systems used to track program milestones are created from data included in your Subrecipient Agreements. They typically include individual subrecipient schedules and progress reports, while displaying planned versus actual completion dates for key milestones or objectives.

These systems are helpful for:

- Viewing the overall performance of your subrecipients,
- Comparing achievement rates of individual subrecipients,
- Identifying slow-performing subrecipients, and
- Identifying when you are at risk of failing to meet the overall requirements of your CDBG program.

Financial Tracking

Financial tracking systems rely on data provided in the drawdown requests and progress reports submitted by your subrecipients. They can facilitate your analysis of the requests for payment you receive, providing an early warning of spending shortfalls or overspending in particular categories of activities.

Monitoring Status

Systems for tracking the monitoring status of your subrecipients can be automated or manually maintained. Both options can help you identify:

- When a monitoring visit or in-house desk audit has been scheduled,
- What aspect of the subrecipients' activities you will monitor, and

- Which members of your staff will be involved in the monitoring.
- Once you have completed the scheduled monitoring, you can record:
- When your monitoring letter went out,
- The findings cited in your monitoring letter,
- When your subrecipients' responses are due, and
- The deadlines you have established for required corrective actions.

Performance Reports

Performance reports feature mechanisms for determining which of your subrecipients have failed to meet particular deadlines or have fallen below certain thresholds of performance (e.g., the expenditure of more than 20 percent of their targeted drawdowns, or the completion of less than 20 percent of targeted units of service in a given month). Variations in expected performance areas are identified for follow-up.

Level 3: Integrated Financial and Program Management Systems

Integrated financial and program management systems provide an up-to-date, online picture of the overall status of your subrecipients, combining a variety of information from several sources:

- Progress reports
- Monitoring activity
- Required corrective actions
- Requests for payment
- Financial disbursements
- Program income

An integrated management system allows you to more easily:

- Establish subrecipient monitoring priorities,
- Coordinate your activities using the most complete and accurate information available,
- Track the progression of projects,
- Evaluate overall program effectiveness, and
- Assess the relationship of the use of CDBG funds to the objectives identified in your Consolidated Plan.

Performance Benefits

There are four primary benefits of using an integrated financial and program management system to evaluate your CDBG program:

- The internal consistency and accuracy of data is checked automatically;
- Relative to other systems, a greater number of subrecipients or a larger or more complex group of activities can be more easily tracked;
- The comprehensive financial, regulatory, and program status reports generated by the system allow you to identify potential compliance problems, allocate technical assistance, and target monitoring resources; and
- The flexibility of the system allows you to adapt status reports and monitoring procedures to meet the needs of your subrecipients.

Enhanced Regulatory Compliance

Because of the complex nature of CDBG record-keeping and reporting requirements, fully integrated systems are helpful. They can generate multiple reports from the same source of information and reduce the likelihood of errors in your reports. However, their initial implementation may require substantial expenditures of both time and money.

COMMON TRACKING PROBLEMS

Your information systems are likely to change in response to changes in your use of subrecipients and changes in federal, state, or local laws and regulations for:

- Securing the continued commitment of your subrecipients to use the system;
- Establishing a standard reporting framework;
- Simplifying data collection, record-keeping, and reporting;
- Maintaining separate accounts; and
- Moving from manual to automated systems.

Securing the Commitment of Subrecipients

Many of your subrecipient organizations may be under-funded and under-staffed and unable to maintain adequate records or submit accurate reports. In these situations, obtaining additional or different data from your subrecipients can become even more difficult, especially if they appear unable to keep up with present documentation and reporting requirements.

As such, it is important to work with your subrecipients to organize or streamline their present record-keeping systems so that this function requires less staff time while introducing the documentation and reporting changes you need.

This may require time and effort on your part; however, over time, you will both benefit as your subrecipients increase their capacity to keep adequate records and report progress and you secure the information you need to effectively manage your CDBG program.

Inadequate subrecipient record-keeping and reporting are a major source of monitoring problems.

Establishing a Standard Reporting Framework

This step is key to building an effective information system. A standard reporting framework is based on:

- Forms that are easy to fill out,
- Regular reporting intervals,
- Standardized data required of all subrecipients,
- A clearly defined process for data collection and reporting, and
- Unambiguous links to standard Subrecipient Agreements.

Your subrecipients may argue that their programs are unique and that they do not need to provide the requested data. Address this resistance with a positive, but firm response: that the documentation and reporting requirements you specify are part of the Subrecipient Agreements, imposed by federal laws and regulations, and are conditions for reimbursement of program expenses ([24 CFR 570.503\(b\)\(2\)](#) and [24 CFR 570.506](#)).

Defer upgrading your information systems until you have established a standard and stable reporting framework that is applicable to all subrecipients.

Simplifying Data Collection, Record-Keeping, and Reporting Procedures.

Before you decide to upgrade your system or change your data collection and reporting methods, consider how you can simplify the system. Such simplification might include:

- Eliminating duplicate or unnecessary information;
- Reducing the number of sources used to retrieve information;
- Reducing the number of steps involved in securing or reporting information;
- Using a single source of information (for instance, a subrecipient application or drawdown

- request) to satisfy multiple record-keeping and reporting requirements; and
- Clarifying who is responsible for obtaining and reporting information.

Upgrade your tracking systems only when you feel sure that the process is as lean and efficient as possible. In the absence of simple procedures, changes in your information systems may complicate your ability to ensure that the subrecipients comply with all reporting requirements.

Maintaining Separate Accounts

The commingling of CDBG funds with other sources is prohibited, both for grantees as well as for subrecipients ([2 CFR 200.302](#)). That being said, few subrecipients rely solely on CDBG funds for a single eligible activity; most, in fact, undertake multiple activities supported by multiple public and private sources of funds.

Under these circumstances, you are responsible for assuring that your subrecipients use appropriate systems and procedures to:

- Document their expenditures on CDBG-funded activities,
- Allocate their costs to the correct accounts, and
- Establish separate accounts for tracking different CDBG activities.

One of the biggest challenges your subrecipients may face is tracking staff time and program expenses when individual staff members are involved in several activities.

Work with your subrecipients to develop a way to accurately record CDBG-related staff time and expenses. The use of timesheets, description of duties performed, telephone logs, email correspondence, expense records, and filing systems are often used as a means of verifying CDBG-assisted activities and distinguishing them from other programs. Subrecipient staff who work on more than one activity during a week, for instance, should be able to identify the number of hours per day that they spend on each separate activity in their timesheets.

Moving from Manual to Automated Systems

If one or more of your subrecipients is moving from a manual to an automated record-keeping and reporting system, make sure that the basic requirements discussed above are addressed in the new system and that backup records will be maintained until the new system has been tested and approved.

Make sure that your subrecipients keep backup documentation of all primary records (applications, agreements, timesheets, accounting records, drawdown requests, case records, etc.). The subrecipients must maintain these records for a minimum of three years following submission of the termination of their Subrecipient Agreement. ([24 CFR 570.502\(a\)\(7\)\(ii\)](#))

The transition from a manual to an automated system can be an opportunity for you to help your subrecipients improve their record-keeping and reporting systems. Be prepared to take advantage of it.

CONCLUSION

You should now be able to:

- Understand the basic elements of successful information systems.
- Partner with your subrecipients in the development of your information systems.
- Identify what data to collect, how to measure the data, and how often to report it.
- Make effective use of your Subrecipient Agreement when monitoring performance.
- Expand your monitoring plan to include the use of request for payment forms.
- Identify an appropriate system for tracking the performance of your subrecipients.
- Identify the benefits of using an integrated financial and program management system.
- Resolve common information system challenges.

OVERVIEW: PURPOSE OF TRACKING INFORMATION

Effective tracking of subrecipient activity is founded on having complete documentation in the original application and Subrecipient Agreement and then relies on submissions by the subrecipient of payment requests and progress reports, the audit, on-site monitoring visits, and regular communications with the subrecipient. An effective subrecipient tracking system should enable you to answer the following questions throughout the program year:

- How is the National Objective being met by the activity?
- Does the activity continue to meet the eligibility requirements of the CDBG program? How?
- Who is being served by the activity? How many beneficiaries? Characteristics?
- Are the objectives specified in the Subrecipient Agreement being attained?
- Are the services or products specified in the Statement of Work being delivered?
- Is the project budget being met? (By how much is the project over- or under-spent?)
- To what extent is the project schedule being met?
- Are expected levels of quality being maintained in the delivery of products and services?
- Are the subrecipient's Progress Reports and drawdown requests submitted on a timely basis and filled out correctly?
- Are proper records being kept consistent with CDBG regulations?
- Are communications with the subrecipient open, complete, and up to date?

Tracking systems cannot by themselves replace on-site monitoring of subrecipient performance and regulatory compliance; however, they can make your monitoring more efficient and effective by helping you address the most important issues in a shorter time period.

The principal sources for this information include:

- Subrecipient Application
- Written Agreement (as a guide to progress)
- Financial Statements
- Audits
- Monthly/Quarterly Progress Reports
- Drawdown (Reimbursement) Requests/Reports
- Record-Keeping Systems/Files
- Monitoring Visits
- Phone and e-mail Conversations
- Consolidated Annual Performance and Evaluation Report (CAPER)

CONSOLIDATED ANNUAL PERFORMANCE AND EVALUATION REPORT INFORMATION

The following information and data items are useful in tracking subrecipient performance and regulatory compliance. They are also required for the Consolidated Annual Performance and Evaluation Report (CAPER). If you collect or up-date this information throughout the program year, preparation of the CAPER is much easier. You will also be able to monitor your subrecipients more closely. This information can be obtained from the activity and drawdown information in IDIS, and you can use screen prints or various reports to collect the data that has already been entered into the system.

- Activity name and number.
- Subrecipient name, address, telephone number, responsible individual.
- Activity description.
- Activity location, including census tract/block group where activities occur.
- Month/year activity funded.
- National Objective being met and how it meets program criteria.
- Type of activity—eligibility category.
- Financial status for activity:
 - Amount authorized
 - Amount expended this reporting period
 - Total expended to date (all sources as well as CDBG)
 - Unliquidated obligations (for public service activities only)
 - Unobligated balance
- Program income expected to be generated and received.
- Other HUD funds involved in an activity.
- Accomplishments/Units of Measurement (as applicable):
 - Numbers of persons assisted (for all non-housing activities)
 - Number of households assisted (for housing activities)
 - Number of businesses assisted
 - Number of organizations assisted
 - Number of housing units completed
 - Number of public facilities completed
 - Number of full-time equivalent jobs created
 - Number of full-time equivalent jobs retained
- Status of activity not completed major milestones, problems, or delays.
- If activity is to benefit low- and moderate-income persons:
 - For acquisition, construction, or rehabilitation of multi-unit residential buildings:
 - Number of units in each structure at project start, and number of units in each structure at project completion
 - Number of units per structure occupied at project start and number which are occupied by low- and moderate-households
 - Number of occupied units per structure at completion and number occupied by low- and moderate-income households at completion
 - Total cost and share of total that is CDBG
 - Total rehab administrative costs

For job creation/retention activities:

- Listing of permanent job titles, which have been or will be created, and which are part-time jobs. If any positions require special skills/training, describe the efforts being made to provide such skills/training
 - Cumulative number of permanent full-time equivalent jobs created
 - Cumulative number of permanent full-time equivalent jobs retained
 - Identify which jobs are held by low- and moderate-income persons
 - Identify which jobs were made available to low- and moderate-income persons
 - Actions taken or to be taken by subrecipient or business to ensure first consideration was or will be given to low and moderate persons
- Family size and income characteristics of beneficiaries (or household size and income for housing activities).
 - Information on racial groups being served. Collect separate data counts where these individuals are also Hispanic or Latino.
 - White
 - Black or African American
 - Asian
 - American Indian or Alaskan Native
 - Native Hawaiian or other Pacific Islander
 - American Indian/Alaskan Native and White
 - Asian and White
 - Black/African American and White
 - American Indian/Alaskan Native and Black/African American
 - Other Multi-Racial
 - Information on female-headed households served.
 - Information on multi-unit structures assisted.
 - Information on number of households/businesses displaced or temporarily relocated for each assisted project (e.g., acquisition, rehabilitation).
 - One-for-one replacement data.

SAMPLE MONTHLY REPORT AND VOUCHER



29th Year Monthly Status Report

Contract Date: 9/1/03 through 8/31/04 PO# 2003003541 Vendor # 850096791 Index Code: 150031-205200

Line Item	CDBG Budget	Prog Inc. Transfer	Budget Transfer	Revised Budget	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Available Balance	YTD Expended
Salaries	\$34,800.00	\$0.00	\$0.00	\$34,800.00													\$34,800.00	\$0.00
Fringe Benefits	\$10,000.00	\$0.00	\$0.00	\$10,000.00													\$10,000.00	\$0.00
Telephone	\$450.00	\$0.00	\$0.00	\$450.00													\$450.00	\$0.00
Utilities	\$4,000.00	\$0.00	\$0.00	\$4,000.00													\$4,000.00	\$0.00
Office Supplies	\$600.00	\$0.00	\$0.00	\$600.00													\$600.00	\$0.00
Janitorial Supplies	\$10.00	\$0.00	\$0.00	\$10.00													\$10.00	\$0.00
Total	\$49,860.00	\$0.00	\$0.00	\$49,860.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$49,860.00	\$0.00
Prj Income																	\$0.00	\$0.00
TOTAL BILLED	\$49,860.00				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$49,860.00	\$0.00



Month	UNITS OF SERVICE		GOAL		# People Served	FINANCIAL STATUS			ADMIN		REPORTS DUE		Notes
	Avg Rate	Projected	Actual	YTD		YTD %	Available Balance	YTD Billed	YTD Billed %	Budget Transfers	Date Rec'd	Date Posted	
Sept	8.3%	315.4				49,860.00	-	0.0%					
Oct	16.7%	634.6						0.0%					
Nov	25.0%	950.0						0.0%					
Dec	33.3%	1265.4						0.0%					
Jan	41.7%	1584.6						0.0%					
Feb	50.0%	1900.0						0.0%					
Mar	58.3%	2215.4						0.0%					
Apr	66.7%	2534.6						0.0%					
May	75.0%	2850.0						0.0%					
Jun	83.3%	3169.4						0.0%					
Jul	91.7%	3484.6						0.0%					
AUG	100.0%	3800.0	0.0		0			0.0%					
Total		3800.0	0.0		0			0.0%					

Fiscal Year: 1-1-02 thru 12-31-03
Audit Due by: 6-30-2004
Insurance Expires: 10-01-03

Attachment A: Payment Request

AGENCY NAME: _____ **Mo./Yr.** _____

PROGRAM NAME: _____

PREPARER'S NAME: _____ **Phone:** _____

Approved CDBG Budget	\$
CDBG Disbursements to Date	\$
PI Expended to Date	\$
Available CDBG Balance	\$

(This Request)

Budget Line Item	AMOUNT REQUESTED FOR CDBG REIMBURSEMENT
TOTAL REQUEST	
LESS CDBG FUNDS ON HAND	
LESS PROGRAM INCOME ON HAND	
NET PAYMENT REQUESTED	
PI BALANCE AVAILABLE	

Signature of Executive Director or Board President

Date

Signature of CD Staff

Date

Signature of CD Accountant

Date

Attachment B: Units of Service Report

Agency Name: _____ **Program Name** _____

Preparer's Name: _____ **Phone Number:** _____

Calendar Mo. of Report: _____ **Contract Period: 29th Year** _____

Units Directly Applicable Toward Contract		
Type of Unit	Number of Units	Number of new persons served this month: (should match column A on Ethnicity Report)
		Notes
Total for Period		

Units Directly Applicable Toward Contract		
Type of Unit	Number of Units	Number of new persons served this month: (should match column A on Ethnicity Report)
		Notes
Total for Period		

Signature of Agency Director or Board President

Date

Attachment C: Race/Ethnicity Report

Agency Name: _____ **Contract Period: 29th Year**

Program Name: _____

Preparer's Name: _____ **Phone:** _____

NOTE: Totals for the three income groups (columns B–E) should equal the total in column A. If you serve a “Presumed Benefit” clientele, write “PB” in columns C–E instead of numbers. Columns F and G should equal total in column A. Columns S and T stand alone.

Month	Total #Persons Assisted (auto totals ethnicity)	Non-Low/Mod Clients	Moderate-Income Clients (A=B+C+D+E)	Low-Income Clients (A=B+C+D+E)	Extremely Low-Income Clients (A=B+C+D+E)	Hispanic	Non-Hispanic	White	Black/African American	Asian	American Indian/Alaskan Native	Native Hawaiian/Other Pacific Islander	American Indian/Alaskan Native and White	Asian and White	Black/African American and White	American Indian/Alaskan Native and Black	American Indian/Alaskan Native and Black/African American	Other Multi-racial	Persons with Disabilities	Female Head of Household
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
SEP	0																			
OCT	0																			
NOV	0																			
DEC	0																			
JAN	0																			
FEB	0																			
MAR	0																			
APR	0																			
MAY	0																			
JUN	0																			
JUL	0																			
AUG	0																			
YTD	0		0	0	0			0	0	0	0	0	0	0	0	0	0	0	0	0

APPROVAL SLIP
(Please Approve & Forward)

M. Green – 8th Floor
R. Jones – 8th Floor
D. Riverside -
C. Monaldo – 7th Floor
M.J. Lopez – 8th Floor

Voucher Document

PayTo: Sample Spreadsheet

Today's Date	6/13/2003
Reference	May-03
Open Item #	G7128SS0022 0503
PO#	2003003541
RC#	
Budget Check:	
Approval Instance:	

Vendor #	860096791
Speed Type:	G0920
Fund:	8579
Fund:	8579
Project/Grant:	G7128SS0022
DeptID/Acct#	71150031-505200
Period:	9/1/02 through 8/31/03

PAY THIS AMT: \$3,173.96

For Internal Use Only	
Contract	Amount:
\$49,860.00	
Prog. Inc. Amount:	\$0.00
Available	Amount:
\$49,860.00	

Invoice #:	
Date of Invoice:	
PeopleSoft-Entry Date:	

Voucher #:	860096791
Date Group Assigned:	G0920
Date Posted:	8579
	8579

Approved:

CD Director