

ReOregon

Subrecipient Manual

Version 1



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13 Monitoring & Audit

Table of Contents

| | |
|--|----------|
| 13 Monitoring & Audit | 1 |
| 13.1 What This Means for Subrecipients and Subgrantees | 3 |
| 13.2 Monitoring Roles and Responsibilities..... | 4 |
| 13.3 Capacity Building & Required Training | 5 |
| 13.4 Policy and Procedures..... | 5 |
| 13.5 Activity and Cost Eligibility | 5 |
| 13.6 Monthly Monitoring..... | 5 |
| 13.7 Audit Requirements | 6 |
| 13.8 Audit Submissions | 7 |
| 13.9 Reporting Subrecipient or Subgrantee Concerns..... | 7 |
| 13.10 Additional Resources..... | 8 |

13 Monitoring & Audit

Subrecipients and subgrantees must monitor each program, function, or activity funded by its CDBG-DR awards to ensure compliance with applicable federal requirements and to determine if performance expectations are being achieved.

Monitoring and evaluation of program performance and compliance by recipients of CDBG-DR funds is a requirement of HUD. Monitoring program, statutory, and/or regulatory requirements is the responsibility of OHCS, subrecipients, and subgrantees. Subrecipients and subgrantees are responsible for carrying out their programs to meet these compliance requirements, including monitoring their project administrators, contractors, and subcontractors.

13.1 What This Means for Subrecipients and Subgrantees

Subrecipients and subgrantees must:

- Understand and ensure that contractors and developers understand grant requirements.¹ Subrecipients should refer to FAQs and the webinar on “Management Contractors, Developers, and Subgrantees.”
- Document eligibility of activities and costs charged to the grant.^{2,3} Refer to Chapter 4 Financial Management for additional details.
- Report on benchmarks, deliverables, and costs.² Refer to Chapter 15 Project Reports and Closeout for additional details. If applicable, review Single Audits for any subgrantee that expends more than \$750,000 in federal funds a year.³ Refer to the section at the end of this chapter for additional details.

Attention to your activities and your performance is imperative. Unresolved findings could lead to the need to repay funds to OHCS and HUD. Therefore, subrecipients must be aware and conscious of policies and controls. Subrecipient responsibilities and guidance related to common concerns are included in this section. However, please note that the responsibilities included here do not substitute for the responsibilities under your SRA and applicable regulations.

¹ 2 CFR § 200.329 and 2 CFR § 200.332

² Subrecipient Agreement — Requires the subrecipient to oversee CDBG-DR funded activities undertaken by contractors, developers, and/or subgrantees. Subrecipients must provide monthly reports to OHCS on the designated form and immediately report to OHCS Compliance and Monitoring Staff for any risks or concerns identified.

³ 2 CFR § 200.501(a) Audit requirements

Also, if the subrecipient is the subject of a HUD monitoring finding or concern, OHCS staff will work with them to prepare and implement corrective actions as directed by HUD. All HUD monitoring findings must be closed in a timely manner identified by HUD.

13.2 Monitoring Roles and Responsibilities

Monitoring is the responsibility of OHCS, subrecipients, and subgrantees. OHCS, subrecipients, and subgrantees must monitor to ensure compliance with executed agreements, applicable state and federal laws and regulations, and project/program performance criteria. See the table below for a description of the monitoring responsibilities.

| Monitor | Monitored Entity | Monitoring Responsibilities |
|----------------|--|--|
| HUD | <ol style="list-style-type: none"> OHCS (grantee) Subrecipient Subgrantee | <ul style="list-style-type: none"> HUD provides training and technical assistance. HUD conducts monitoring reviews of all monitoring entities. |
| OHCS (Grantee) | <ol style="list-style-type: none"> Grantee Programs/projects Subrecipient, including a sample of the subrecipients subgrantees ReOregon Program Staff | <ul style="list-style-type: none"> OHCS conducts required training and provides ongoing technical assistance. ReOregon Program Staff conduct monthly monitoring reviews. OHCS Compliance Staff conduct desk, onsite, and remote monitoring reviews. |
| Subrecipient | <ol style="list-style-type: none"> Subrecipient programs/projects Program/project administrators, contractors, and subcontractors | <ul style="list-style-type: none"> Subrecipient participates in and ensures that subgrantees attend and understand required training. Subrecipient conducts monthly review and reporting of subrecipient and subgrantee procurement, budget, allowability, benchmarks, performance, and compliance with crosscutting requirements. |

| Monitor | Monitored Entity | Monitoring Responsibilities |
|------------|---|--|
| Subgrantee | <ol style="list-style-type: none"> 1. Subgrantee programs/projects 2. Program/project administrators, contractors, and subcontractors | <ul style="list-style-type: none"> • Subgrantee participates in and understands required training. • Subgrantee manages monthly reporting procurement, budget, allowability, benchmarks, performance, and compliance with crosscutting requirements. |

13.3 Capacity Building & Required Training

To assist with understanding the regulatory environment and CDBG-DR specific requirements OHCS requires subrecipients and subgrantees to certify they have taken and understand applicable trainings. A training plan with links to required trainings and curricula will be posted on the ReOregon website. All required training will be recorded for future reference. A listing of training required for subrecipients and subgrantees will be provided prior to beginning program implementation. Those subrecipients and subgrantees for which training is required will be asked to send a self-certification to OHCS Compliance Staff that training has been completed and by whom.

13.4 Policy and Procedures

All subrecipients and subgrantees will be required to follow federal, OHCS, and programmatic policies and procedures. These documents will be posted on the OHCS ReOregon website.

13.5 Activity and Cost Eligibility

The Financial Management chapter (Chapter 4) and individual program guidelines will provide specific information on national objectives, eligible activities, and eligible costs.

13.6 Monthly Monitoring

Subrecipients are expected to conduct ongoing implementation and performance monitoring and oversight throughout the project funded with CDBG-DR resources. Each subrecipient will be expected to submit a monthly report for each funded project or program. These reports document that each funded project is on time, within budget, and compliant with federal requirements and programmatic policies and procedures.

These reports are submitted to OHCS for review and used to report Quarterly Performance Reporting to HUD. Timely submission of these reports on the part of subrecipients demonstrates that appropriate project oversight is undertaken. Should issues be identified either directly by the subrecipient or through analysis of the data provided, the OHCS Compliance Staff will work with subrecipients and subgrantees on training, technical assistance, and monitoring, as necessary. The *OHCS Compliance and Monitoring Manual* details the OHCS process of monitoring CDBG-DR funds. OHCS Compliance Staff will work with subrecipients and subgrantees to prepare them for HUD monitoring.

In addition to gathering performance and financial data, subrecipients and subgrantees are expected to monitor contractors and developers for the following:

- Compliance with applicable federal and state requirements
- Construction contractors for equal opportunity, federal and state labor standards, and Section 3 requirements⁴
- Developers for federal requirements, adherence to underwriting guidelines, and affordability periods⁵

13.7 Audit Requirements

Subrecipients are required to comply with Federal Single Audit requirements if they expend more than \$750,000 in federal funds annually. Likewise, a subrecipient that contracts with a nonprofit or unit of local government must require that the entity receiving CDBG-DR funding also comply with Federal Single Audit requirements.

There are typically both state and federal requirements for audits. Federal Single Audit details audit requirements for governmental and nonprofit organizations. Oregon's audit requirements for municipalities have a lower federal audit threshold of \$500,000.

Failure to comply with audit requirements can jeopardize both the subrecipient's and subgrantee's ability to draw grant funds or receive future awards.

Subrecipients must request a copy of the annual audit for entities municipalities. For each year of their involvement with the program. Audits should also be collected for nonprofits meeting the federal threshold for audits. In the absence of an audit, financial statements may be substituted. Applicants required to conduct a Single Audit may have their contract/agreement held, pending receipt of the audit. Subrecipients may proceed if an

⁴ If applicable in the scope of work identified in the subrecipient agreement.

⁵ Ibid.

annual Single Audit is underway if it is received before the first disbursement of CDBG-DR funds occurs.

The costs of a Single Audit are an allowable CDBG-DR expense. If the entity receives more than one federal award, audit costs must be prorated across those awards if grant funding is to be used to cover audit costs.

13.8 Audit Submissions

It is the responsibility of the entity from which an audit is required to submit it to the subrecipient within 60 days of the end of each fiscal year during which the entity has an open federal award.

Audits should be carefully reviewed by the subrecipient, particularly as they relate to findings and corrective actions taken. Information in the audit may be used to inform additional conditions included in subgrant or contract award documents.

13.9 Reporting Subrecipient or Subgrantee Concerns

If the subrecipient or subgrantee encounters issues with a contractor or developer, they should inform the ReOregon Program Staff and OHCS Compliance Staff. Together, OHCS and the subrecipient will develop a plan to address concerns. This could include:

- Additional training
- Technical support
- Allowable adjustment of budget, metrics, or timelines
- Contract termination, reduction, limitation of payments

Failure to cooperate with the subrecipient and comply with the corrective actions may result in contract termination, reduction, limitation of payments, or other actions taken pursuant to 2 CFR Part 200 and allowable per written agreement.

13.10 Additional Resources

- HUD Exchange CDBG-DR page:
<https://www.hudexchange.info/programs/cdbg-dr/>
- 24 CFR 570:
http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570_main_02.tpl
- HUD Community Planning and Development Monitoring Handbook:
https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2
- HUD Office of Inspector General Integrity Bulletin Summer 2016:
<https://www.hudexchange.info/resources/documents/HUD-Integrity-Bulletin-Subrecipient-Oversight-Monitoring.pdf>
- A Guidebook for Grantees on Subrecipient Oversight:
https://portal.hud.gov/hudportal/documents/huddoc?id=DOC_17086.pdf
- 2 CFR Part 200 — Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>