



Monitoring and Audit

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13 Monitoring and Audit

Subrecipients and subgrantees must monitor each program, function, activity, or project funded by their Community Development Block Grant Disaster Recovery (CDBG-DR) awards to ensure compliance with applicable federal requirements and to determine if performance expectations are being achieved.

The U.S. Department of Housing and Urban Development (HUD) requires monitoring and evaluation of program performance and compliance by recipients of CDBG-DR funds. Oregon Housing and Community Services (OHCS), subrecipients, and subgrantees are responsible for monitoring program, statutory, and/or regulatory requirements. Subrecipients and subgrantees are responsible for carrying out their programs to meet these compliance requirements, including monitoring any hired project administrators, contractors, and subcontractors.

13.1 Monitoring

13.1.1 What This Means for Subrecipients and Subgrantees

Subrecipients, acting as a pass-through entity, and subgrantees must monitor grant performance to ensure compliance with federal requirements, including:

- Understanding grant requirements and ensuring that contractors and developers also understand these requirements.^{1,2} Subrecipients should refer to OHCS's webinars: [CDBG-DR Compliance Oversight and Monitoring Part 1](#) and [CDBG-DR Compliance Oversight and Monitoring Part 2](#).
- Documenting the eligibility of activities and costs charged to the grant.³ Refer to [Chapter 4 Financial Management](#) for additional details.

¹ 2 CFR Part 200.329 and 2 CFR Part 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 Part 200.501(a) audit requirements

- Reporting on benchmarks, deliverables, and costs. Refer to [Chapter 15 Project Reports and Closeout](#) for additional details.
- As applicable, reviewing federal single audits for any subgrantee that expends more than \$1,000,000 in federal funds a year.⁴ Refer to [13.2 Audit Requirements](#) for additional details.

13.1.2 Monitoring Roles and Responsibilities

Monitoring is the responsibility of all entities involved in the CDBG-DR funding process. Monitoring may be conducted by federal oversight agencies including HUD, as well as 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"> 1. OHCS (grantee) 2. Subrecipient 3. 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"> 1. Grantee programs/projects 2. Subrecipient, including a sample of the subrecipients and subgrantees 3. 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 on-site or remote monitoring reviews. |
| Subrecipient | <ol style="list-style-type: none"> 1. Subrecipient programs/projects 2. 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. |

⁴ 2 CFR Part 200.501(a) audit 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. |

Attention to grant activities and performance is imperative. Unresolved findings from monitoring events conducted by any authorized oversight entity could result in various remedies stated in the subrecipient agreement or those afforded to pass-through entities such as:

- Temporarily withholding payments until a corrective action is taken
- Disallowing costs in whole or in part associated with the noncompliance
- Suspending or terminating part of the subrecipient agreement under the federal award in whole or in part
- Withholding further federal funds for a new project or program
- Other legally available remedies⁵

13.1.3 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.

The reports are submitted to OHCS for review and used to create the Quarterly Performance Report 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

⁵ All potential remedies for noncompliance afforded to pass-through entities are located in 2 CFR Part 200.339. Remedies for noncompliance are available at [ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR86b76dde0e1e9dc/section-200.339](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR86b76dde0e1e9dc/section-200.339).

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 the following:

- Contractors and developers for compliance with applicable federal and state requirements
- Construction contractors for equal opportunity, federal and state labor standards, and Section 3 requirements⁶
- Developers for federal requirements, adherence to underwriting guidelines, and affordability periods⁷

13.1.4 Reporting Subrecipient or Subgrantee Concerns

If the subrecipient or subgrantee encounters issues with a contractor or developer, they should inform 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, or 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.

13.2 Audit Requirements

Subrecipients are required to comply with federal single audit requirements if they expend more than \$1,000,000 in federal funds annually. Any subrecipient that passes grant funds through to a nonprofit or unit of local government must require that the entity also comply with federal audit requirements.

Pass-through entities are responsible for issuing a management decision for audit findings that affect subawards issued to subrecipients receiving CDBG-DR funds. A management

⁶ If applicable in the scope of work identified in the subrecipient agreement

⁷ Ibid.

decision must be issued within six months of the Federal Audit Clearinghouse's (FAC) acceptance of the audit report. The person being audited must initiate and proceed with corrective action as rapidly as possible, and corrective action should begin no later than upon receipt of the audit report. Management decisions must include the reference numbers the auditor assigned to each audit finding.

Single audits are required to be submitted to the FAC digitally and can be viewed at fac.gov.

The subrecipient must submit the audit, data collection form, and reporting package within 30 calendar days after receiving the auditor's reports or nine months after the end of the audit period, whichever is earlier.⁸ If the due date falls on a Saturday, Sunday, or federal holiday, the reporting package is due the next business day.

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

13.2.1 State Audit Requirements

Oregon has a Municipal Audit Law, which requires an annual financial audit⁹ for each year a municipality is involved with the program. Audits should also be collected for nonprofits that meet 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 annual single audit is underway if it is received before the first disbursement of CDBG-DR funds occurs.

13.2.1.1 Audit Submissions

It is the responsibility of the person being audited to submit the audit report to the Oregon Secretary of State website within six months after the close of the fiscal year audited. Subrecipients must receive a copy of the annual audit by searching the Secretary of State website at secure.sos.state.or.us/muni/public.do or by requesting it from the audited entity.

⁸ The cognizant agency for audit or the oversight agency for audit, in the absence of a cognizant agency, may authorize an extension when the nine-month time frame would place an undue burden on the person being audited.

⁹ There are limited exemptions to the requirement for municipalities that are detailed in ORS 297.435, located at oregonlegislature.gov/bills_laws/ORS/ORS297.html.

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.

13.3 Useful Resources

13.3.1 Monitoring Guidance

- HUD Community Planning and Development Monitoring Handbook Chapter 6: Disaster Recovery Community Development Block Grant, hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2
- HUD Office of Inspector General Integrity Bulletin Summer 2016, hudexchange.info/resource/5065/hud-integrity-bulletins

13.3.2 Audit Regulations

- 2 CFR Part 200 — Part 200 Uniform Administrative Requirements Subpart F – Audit Requirements, ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F
- Oregon Secretary of State Municipal Audit and Local Government Resources, sos.oregon.gov/audits/Pages/muni-faq.aspx