



Subrecipient Monitoring Plan

INTRODUCTION

The purpose of the City of Minot's Subrecipient Monitoring Plan is to describe how the City will monitor subrecipients that have entered into a subrecipient agreement with the City to assist in the implementation of the National Disaster Resilience (NDR) grant. This Subrecipient Monitoring Plan will be used for programs and activities funded under the Disaster Relief Appropriations Act 2013 (PL 113-2). The plan is based on monitoring strategies recommended by the U.S. Department of Housing and Urban Development (HUD) for its Community and Development Block Grant (CDBG) program. The City intends to comply with the CDBG regulations (24 CFR 570.501(b)) which state, that:

"[The Grantee] is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of ...subrecipients...does not relieve the recipient of this responsibility. The recipient is also responsible for determining the adequacy of performance under sub-recipient agreements...and for taking appropriate action when performance problems arise..."

Furthermore, the plan identifies the actions that will be taken, such as an assessment of the subrecipient's performance, the type of monitoring review (e.g., desk or on-site), the programs/functions to be monitored, expected monitoring dates, identifying deficiencies and designing corrective actions, to determine compliance. Monitoring is an ongoing process, which involves continuous communication and evaluation to assess the quality of the subrecipient's performance over a period.

The primary objectives are:

- To determine if a subrecipient is carrying out its activities in a timely manner, in accordance with the subrecipient agreement.
- To assess if the subrecipient has a continuing capacity to carry out the approved project.
- To identify potential problem areas and to assist the subrecipient in complying with applicable laws and regulations
- To assist subrecipients in resolving compliance problems through discussion, negotiation, and the provision of technical assistance and training.
- To provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected by subrecipients and not repeated
- To comply with the Federal monitoring requirements of 24 CFR 570.501(b), 2 CFR 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
- To determine if any conflict of interests exist in the operation of the CDBG program, per 24 CFR 570.611
- To ensure that required records are maintained to demonstrate compliance with applicable regulations.

The City will follow the HUD approved DRGR Action Plan and the Federal Register/Vol. 81, No. 109/Tuesday, June 7, 2016.



This monitoring plan is distinct and separate from the role and activities of the independent Internal Audit Unit which shall be guided by its own policies and procedures. Where appropriate, applicable, and not comprising the integrity of the defined roles and responsibilities of both the Federal Compliance Officer and the independent Internal Audit Unit, the compliance monitoring and internal financial audits should be undertaken to support and coordination to minimize duplication of effort.

Compliance monitoring plans and Internal Audit plans should be shared to assure neither plan will be compromised or interfered by the other.

SUBRECIPIENT REQUIREMENTS

Monitoring the Subrecipient's compliance according to the contractual agreement consists of three (3) components; Administrative and Project Delivery; Financial Management; and Program Operations. The applicable requirements for each component are reviewed with the Subrecipient during contract negotiations.

Administrative and Project Delivery:

The administrative requirements are incorporated into the agreements with the Subrecipient. The following administrative requirements are listed in the Subrecipients' agreements:

- Confidential Information: Indicates what information is confidential under the contract, how it is to be handled, the duties to be monitored and to report any unauthorized releases of confidential information.
- Section 3: This section of the Housing and Urban Development Act of 1968 requires that economic opportunities be made available, as soon as possible, to low and very-low income persons as well as HUD Section 3 businesses.
- Non-Discrimination:
 - Executive Order 11246, as amended, which prohibits discrimination and requires affirmative action to ensure equal employment opportunity without regard to race, color, sex, religion and/or national origin; and the implementing regulations.
 - Section 503 of the Rehabilitation Act of 1973: which prohibits discrimination and requires affirmative action in all personnel practices for qualified individuals with disabilities by contractors and subcontractors with a covered Federal contract or subcontract valued more than \$10,000.
 - Title I of the Americans with Disabilities Act (ADA) of 1990: This law prohibits discrimination based on disability in employment by employers with 15 or more employees against qualified individuals based on disability.
- Insurance: Subrecipients are required to maintain the minimum insurance coverage according to the Terms and Conditions of the contractual agreement with the City.
- Conflicts of Interest: Subrecipients and their personnel must certify that they have read and agree to comply with the Conflict of Interest requirement by disclosing any actual or apparent conflicts of interest and have an ongoing obligation to disclose any additional actual or potential conflicts of interest as they occur.
- Davis Bacon Act: This Act requires the payment of prevailing wage rates to laborers and mechanics on CDBG-funded construction projects.
- Information Management Policy: The objective of this policy is to provide guidance for the systematic control of the creation, maintenance, use, retention, security, transfer, and

destruction of physical and electronic information, including intra-office communications, applicant data, employee data, analysis, and deliverables.

- Property Management: Subrecipients will be required to comply with the applicable guidelines if property is purchased with the CDBG-funds.
- Assure compliance with Duplication of Benefit requirements as set forth in Section 312 of the Stafford Act and the November 2011 HUD Duplication of Benefit Rules.

Financial Management:

- Subrecipient Invoices: Invoices submitted by the Subrecipient are expected to be accurate, timely, current, and consistent with the terms of their agreements with the City. It is the responsibility the Subrecipient, and an important aspect of our monitoring, that an authorized representative must sign a certification as part of each invoice. The certification generally affirms the following:

"I hereby certify that, to the best of my knowledge and belief, all payments requested are correct, accurate, and complete, that payment therefore has not been received and that all amounts requested are for the appropriate purposes and in accordance with this Agreement."

This self-certification requirement imposes a responsibility on the authorized representative of each Subrecipient to undertake, at a minimum, a good faith effort to verify that its charges under the Program are appropriate and reasonable. Should a problem be discovered through monitoring, this certification may provide additional grounds for a possible breach of contract finding with the Subrecipient, as well as other legal remedies.

- According to 2 CFR 200 subpart F, a Non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.
- Each subrecipient shall have internal accounting and other control systems to provide reasonable assurance it is managing Federal financial assistance programs in compliance with applicable laws and regulations, including 2 CFR 200 Audit Requirements.
- Each subrecipient shall comply with the City's Payment Policy, based on 2 CFR 200.302 and 305 regarding payments from Federal agencies of awarded funds.

Programmatic Operations:

- Each subrecipient will be required to provide the services listed in the subrecipient agreement with the City to the NDR Program Manager or his designee. Furthermore, the Subrecipient will be required to provide documentation, as agreed upon with the City, verifying the progression and completion of the contract deliverables.

ORGANIZATIONAL STRUCTURE AND RESPONSIBILITIES

Monitoring is an ongoing process and involving continuous communication and evaluation to assess the quality of s' performance throughout the duration of the contractual agreement.

- Finance and Administration: The NDR Program Manager will process invoices submitted by the Subrecipients. As part of invoice processing, he will review the invoices for accuracy, compare to the terms of the contractual agreement, and examine all invoices for duplication of services submitted in previous invoices.

- Compliance and Monitoring: The Federal Compliance Officer will perform desk and on-site monitoring reviews to ensure compliance with applicable CDBG regulations, State, and program requirements. The Federal Compliance Officer will determine compliance by reviewing supporting documentation regarding the Subrecipients' performance during a pre-defined period. Upon the completion of the reviews, a report will be submitted to the NDR Program Manager for approval.

MONITORING

Finance and Administration: The financial management monitoring includes, but is not limited to the review and approval, if applicable, of Subrecipient invoices, review of practices for charging labor and other direct costs (ODCs), review of procurement, property management, and insurance certifications. Additional financial-related monitoring may be conducted depending upon the changing needs of the program and the roles of the Subrecipient. The monitoring associated with Subrecipient's invoices includes the following:

- Financial Analysis: Review the invoices for adherence to the general terms and conditions in the contract agreement, such as any certifications are signed, that the contract labor rates are being used, and review the invoices to ensure that the supporting documentation is adequate, complete, and consistent with the invoiced amounts.
- Operations: This includes a review of the invoices for adherence to the deliverables in the contract, with an emphasis on the reasonableness of the labor hours in the performance of the specific activities that have occurred.
- Accounts Payable Department: Confirms that the above reviews have been completed, confirms that the invoiced amounts are coded to the proper accounts, maintains the invoices for audit purposes, and scans the invoices.

Assessing Risk:

- The Federal Compliance Officer will be responsible for developing the initial risk assessment for each activity. The monitoring process is executed according to the timing determined by the results of a Risk Assessment and information gathered through desk monitoring. Higher risk programs or activities will be monitored more expeditiously and monitoring efforts will focus more on on-site monitoring in conjunction with desk top reviews.
- The program areas to be monitored and timing of the monitoring reviews are partially determined by the Risk Assessment results. Frequencies of the continued monitoring reviews will ultimately be determined by the outcomes of the on-site monitoring review.
- The internal audit unit may rely on the Federal Compliance Officer's risk assessment to inform its annual audit plan or can elect to undertake its own risk analysis on which to base its annual audit plan.
- The Risk Assessment is an important program tool used to:
 - Identify, evaluate, and estimate potential areas of concern;
 - Minimize negative impact to the programs; and
 - Determine the timing and level of monitoring necessary.

Category	Risk Assessment Criteria	Risk Category	Risk Points High – 10 Medium – 5 Low – 1
Funding	This criterion is evaluated based on amount of funds awarded.	<u>For Activity:</u> >\$5,000,000 – High (10) \$1,000,000 - \$5,000,000 – Medium (5) <\$1,000,000 – Low (1)	
Project Type	This criterion is evaluated based on the type of project(s) administered by the Grantee or Subrecipient.	Housing and Economic Development – High (10) Infrastructure and Acquisition/Relocation – Medium (5) Planning – Low (1)	
CDBG-DR Experience	This criterion is evaluated based on the Subrecipient implementing the activity type	0-2 years' experience – High (10) 3-5 years' experience – Medium (5) >5 years' experience – Low (1)	

- Initially, each criterion is scored as high, medium, or low risk based on defined thresholds. The combined scores determine the overall risk score. The Risk Assessment is used to determine the initial risk score of the activity. Risk assessments should be conducted after the Sub-recipient agreement is signed and updated as needed.
- If an activity totals more than 25 points in the chart above, it is considered a High Risk, 15-24 are Medium Risk and less than 15 are Low Risk. The recommended frequency and number of files to review is based on the below chart:

Risk Level	Monitoring Frequency	* No. of Activities to monitor
High	1 time per 6 months	25%
Med	1 time per 9 months	15%
Low	1 time per 12 months	10%

*The number of activities to be reviewed will be based on the total number of new specific activities that has been monitored since last compliance monitoring visit.

- The Risk Assessment is an important program tool used to identify program risks and specific areas that may be high risk. In addition, using the Risk Assessment will aid in prioritizing higher risk programs and determine the immediacy of providing technical assistance and monitoring.

The Risk Assessment will assist the Federal Compliance Officer in prioritizing what information needs to be requested from the Subrecipient and reviewed prior to an on-site monitoring. However, if additional concerns are found while desk monitoring and/or an on-site visit, the risk assessment may be updated (or manual notations added for the next formal risk analysis) at any time during the executed grant period.

- The Federal Compliance Officer may choose to adjust monitoring frequency based on day to day management and review of performance results (scope of work deliverables) completed, time lapse since last monitoring review, or other criteria.
- It should be noted that problems may impact the time available for staff to monitor low risk grantees. The NDR Program Manager will need to make decisions that impact the timing of monitoring and the monitoring plan based on reasonable needs and staff availability. Those grantees may be monitored via desk monitoring rather than on-site with documentation in the file.

Compliance and Monitoring

- Based on the risk assessment for all activities, the Federal Compliance Officer shall develop a quarterly compliance and monitoring review plan connecting the monitoring activities and strategies to the risk assessment.
- Pre-Monitoring: In preparation of the reviews, the following pre-monitoring tasks will be performed by the Federal Compliance Officer:
 - Become thoroughly familiar with the program and entity to be monitored;
 - Develop a clear understanding of the governing statutes, regulations and official guidance;
 - Review and analyze reports, available data, and financial information, from previous monitoring reports and issues;
 - Determine the programs/areas/functions to be reviewed;
 - Determine the data or information to be submitted by the Subrecipient prior to monitoring (if any);
 - Request the names of any participant staff members who will need to be consulted during the monitoring; and
 - Finalize the schedule for carrying out the monitoring tasks and the anticipated time frames.
- Monitoring: The monitoring phase includes a Desk Review and an On-Site Review. In general, the Desk Review consists of reviewing documents submitted to the City by the Subrecipient during a pre-defined period to determine compliance with the administrative, financial management, and programmatic operations requirements. The On-Site Review includes visiting the Subrecipient's office and using results and the information obtained during the desk-review to perform a more in-depth review to determine compliance.
 - Desk Review: Desk reviews are a key component of basic monitoring activities. The desk review involves examining information and materials provided to the City by the Subrecipient to track performance and identify potential problem areas. The Desk Review Checklist is designed to assess and document compliance with the requirements based on:

- File reviews to determine the accuracy of the information, using both automated and manual data and reports submitted to the City by the Subrecipient; and
- Interviews with the City staff to clarify and determine the accuracy of the information, assess level of satisfaction with the provision of services or the “end products,” and document performance.

The documents reviewed include weekly activity status reports, if applicable, monthly review of the project schedule, monthly project updates, and financial information to assess performance and look for indicators of performance or compliance problems. In addition, Subrecipients may submit progress reports that include the activity showing the progress of completing contract deliverables, accomplishments, barriers, spending patterns against planned operations and accomplishments.

- On-Site Review: The on-site reviews will involve monitoring the Subrecipient’s overall program administration during a pre-defined period. Typically, the onsite review will take place after the desk review. Prior to the on-site review, the Federal Compliance Officer will:
 - Be thoroughly familiar with the applicable federal, state, and program requirements;
 - Examine the contractual agreement between the City and Subrecipient;
 - Examine desk review documents, correspondence; and
 - Examine previous monitoring reviews, if available.
- Notification to the Subrecipient: The City will communicate with the Subrecipient to establish the date and location for the entrance conference. Once the date and location has been established, a formal written letter will be sent to the Subrecipient. Unless there are extenuating circumstances, this letter will be sent at least two weeks prior to the monitoring. The letter will include:
 - The monitoring schedule;
 - Identification of the areas to be reviewed;
 - The names and titles of the City staff conducting the monitoring; and
 - The necessary staff to be available during the monitoring.

For on-site monitoring, the letter should confirm the need for any required services (e.g., conference rooms, telephones, and computers) and access to documents pertaining to the review.

- Entrance Conference: The purpose of the entrance conference is to make sure the Subrecipient has a clear understanding of the purpose, scope, and schedule for the upcoming on-site monitoring visit. The entrance conference may take place during a conference call or at the Subrecipient’s office. During the meeting, the Federal Compliance Officer will explain how the on-site visit will be conducted, provide an opportunity to answer the Subrecipient’s questions, and address any concerns. In addition, City staff and the Subrecipient will identify and confirm

key staff who will assist during the monitoring; confirm meeting or interview times with key staff; verify the activities to be reviewed and, if on-site, determine how access to files and work areas will be granted.

- **Data Collection and Analysis:** This phase of the on-site monitoring visit includes acquiring data for further analysis from the Subrecipient which will provide documentation of their compliance with the contractual agreement. In circumstances where the Federal Compliance Officer may not obtain a copy of the records, the On-Site Monitoring Checklist must indicate the documents reviewed. Interviews with key personnel may also take place during the on-site visit.
- **Exit Conference:** At the end of the on-site monitoring review, the Federal Compliance Officer will conduct an exit conference with the appropriate staff to discuss preliminary observations. The Subrecipient will have an opportunity to correct any misconceptions or misunderstandings and to report on the steps the organizations may already be taking to address areas of noncompliance. The exit conference also serves to confirm the accuracy and completeness of the information used to form the basis for the monitoring observations. If additional information is needed to complete the review, the date for the Subrecipient to provide this information to the City is discussed.

The Federal Compliance Officer is responsible for using the On-Site Monitoring Checklist to prepare for the exit conference by clearly and concisely summarizing the conclusions, and to document the issues discussed at the exit conference, the date and time of the meeting, and the names and titles of the attendees. To the extent that the Subrecipient signifies disagreement, the basis for any objections should be noted on the checklist.

- **Post-Monitoring:** At the end of the review, the NDR Program Manager will provide the Subrecipient with a formal written notification of the results of the monitoring review. The letter will outline any concerns, findings, recognize successes, and the deadline for a written response to corrective actions. An important and fundamental principle of the monitoring process is that the City makes findings when there is evidence that a statute, regulation, or requirement has been violated but it retains discretion in identifying appropriate corrective action(s) to resolve deficiencies. An equally fundamental principle is that Subrecipient has a process to respond and resolve findings.

Identified monitoring deficiencies that rise to the level of a “finding” require corrective action. The corrective action responsibility rests both with the City and the Subrecipient being monitored. The Federal Compliance Officer must validate that there is sufficient documented information and/or evidence to support a finding of noncompliance. The Subrecipient being monitored has a responsibility to determine, or assist the Federal Compliance Officer in determining, the reason why a requirement was violated or provide evidence of compliance.

A key piece of effective monitoring is the ability to identify the root cause(s) of any identified deficiencies, or whether the problem is an isolated occurrence or systemic. Such knowledge leads to the development of optimal corrective actions. In some cases, the City may need to determine appropriate action if compliance is not possible, i.e., recouping funds, reducing or limiting contract funding amount, or contract termination.

If the Subrecipient fails to meet a target date and has not notified the NDR Program Manager as to the reasons prior to the date (and, if appropriate and agreed-upon, established a new date), the NDR Program Manager or the Federal Compliance Officer will follow-up either by telephone, email or letter, with a reminder. Either form of contact will be documented and become part of the Subrecipient's file. If the Subrecipient has not responded within fifteen (15) working days after the date of the reminder, a letter will be sent to the Subrecipient requesting the status of the corrective action(s) and warning the Subrecipient of the possible consequences (under the applicable program requirements) of a failure to comply. If the Subrecipient is unresponsive or uncooperative, the City will consider carrying out progressive sanctions in accordance to the subrecipient agreement.

When the Subrecipient notifies the NDR Program Manager that the corrective actions have been implemented, the appropriate staff will review the submitted information. Regardless of whether the response is acceptable (and/or sufficient to close a monitoring finding) or inadequate, a letter will be sent to the Subrecipient within 30 working days of receipt of its submission. The correspondence will either inform the Subrecipient that a finding has been closed; acknowledge any interim actions that have been taken and reaffirm an existing date; or state that additional information/action is needed and establish a new target date to resolve the deficiency.

- Reports: Upon the completion of the on-site monitoring visit report, a report will be submitted to the NDR Program Manager for approval.

MONITORING DOCUMENTS

The City understands that it is essential that each step of the monitoring process be adequately documented. The Federal Compliance Officer will maintain documents used during the review process to determine compliance or non-compliance as required by the contract.

SUMMARY

The main objective of monitoring is to assist the Subrecipient in carrying out their program responsibilities. Throughout the monitoring process, the NDR Program Manager and the Federal Compliance Officer will maintain an on-going dialogue with the Subrecipient to keep the Subrecipient informed as to how the monitoring is progressing, to engage in discussions with the Subrecipient regarding any areas of concern, to provide the Subrecipient an opportunity to make adjustments to ensure that the requirements are being met, and to ensure that quality services listed within the contract's scope of work are being delivered.

RESOURCES

1. U.S. Department of Housing and Urban Development, Office of Community Planning and Development, Handbook 6509.2 Rev-5 Chg-2, *Community Planning and Development Monitoring Handbook*, March 2008.
2. “Basically CDBG” Course Training Manual - This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities Web site at http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/training/basicallycdbg