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Integrity Bulletin

U.S. Department of Housing and Urban Development
Office of Inspector General

Fall 2016

Documenting the Life Cycle of a CPD Grant

Overview & Purpose

Community Planning and Development (CPD) grantees and subrecipients endeavor to meet program requirements as they use grant funds for housing and community development activities. While carrying out program activities should be the main focus, grantees must remember that documentation provides the evidence that grant funds were spent and activities completed appropriately. When grantees and subrecipients fail to create, gather and retain necessary documentation, justifying what was done or how much it cost becomes a significant challenge. As a result, audits and monitoring reviews frequently cite *lack of documentation* and *questioned costs* in findings. For fiscal years 2011 to 2015, the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) conducted 269 audits of CPD programs, and questioned nearly \$2.8 billion for ineligible or undocumented program costs. The purpose of this bulletin is to make grantees and subrecipients aware of the impact that insufficient documentation can have on their grant programs and offer guidance on how to avoid these findings through the life cycle of a CPD grant.

The Importance of Documentation

Grantees are custodians of federal funds and should take special care to document how use of these funds complies with applicable federal requirements. Establishing procedures to produce adequate documentation is particularly important for new grantees and subrecipients, who may be less familiar with federal rules regarding the spending of grant funds. Once grantees and subrecipients are awarded a CPD grant, program execution often becomes their primary focus; recordkeeping may be an afterthought or local procedure may be used as a default, even if it is inconsistent with federal rules.

When audit findings cite questioned costs, grantees must redirect time and resources from program execution to locating or reproducing the appropriate documentation. When such documentation cannot be produced, grantees must reimburse the federal funds associated with the questioned costs. With an audit generally completed a year or more after the grant funds have been spent, it is often difficult for the grantee and subrecipients to know or have documentation of what actually occurred. In a worst case scenario, the grantee may be required to repay grant funds for completed eligible activities that are not adequately documented.

Document! Document! Document!

In many cases grantees do not realize that, in addition to spending-related documentation, key decisions, plans, policies and procedures must all be

documented as well. Audits often show that while some documentation is maintained, problems generally arise because grantees and subrecipients do not realize the extent of the documentation that is required, don't know the requirements or misinterpret them. At every phase of the grant life cycle, grantees must be careful to create and maintain appropriate documentation and stress the importance to their subrecipients of maintaining appropriate documentation (see the Appendix for specific types of documentation required at each of the phases described below).

Phase 1. Post-award Start-up

After the grant is awarded, documentation must be maintained regarding expenditures, staffing, facilities, equipment, program and administrative policies and procedures associated with the grant. Eligibility of CPD funded activities must be documented, including any national objectives if funded by CDBG grants. If activities involve beneficiaries, appropriate criteria must be developed and verifications of eligibility applied to document who may receive funding. As discussed in the [Integrity Bulletin on Subrecipient Oversight](#), risk assessments and monitoring plans and schedules for subrecipients need to be established and documented. Any applicable policies, plans, and procedures needed to comply with the CPD grant should also be documented. Examples include labor (Davis-Bacon), environmental and conflict-of-interest standards.



Example of undocumented post-award start up activities

A State's contractor running a housing rehabilitation program was required to verify homeowner eligibility and implement a management information system meeting State specifications and internal control requirements. Of 22,135 grants, the contractor coded 418 (2 percent) grants as ineligible. However, despite being coded ineligible or lacking an eligibility determination, the homeowners were still awarded grants. This occurred because the management information system lacked controls to stop ineligible homeowners from being awarded funds. The audit questioned \$14.6 million and recommended all funded homeowners be reviewed to ascertain eligibility. In this case, had the contractor tested the software before implementing the system, the very costly glitch could have been identified and the finding could have been prevented.

Phase 2. Administration and Spending

Administration refers to the internal management of the CPD funds awarded to grantees and subrecipients. As discussed in the [Integrity Bulletin on Internal Controls](#), administration is where documentation for control activities is developed and issued. Administrative responsibilities include budget, accounting, cash management systems, procurement policy plans and procedures, all of which must be documented to demonstrate compliance with CPD program rules.



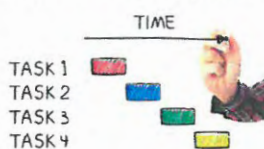
Rules for documenting spending are based on a set of standards—some universal, as described in 2 Code of Federal Regulations (CFR) Part 200, and others specific to the program requirements under which the funding is made available—that grantees and subrecipients must follow. The three key regulatory cost principles are that costs must be allowable, reasonable, and allocable. In general, adequate documentation includes an invoice or receipt that identifies: who authorized the expense, what it was for, the amount and when it was spent; which award was charged; and a determination that it is allowable, reasonable and allocable per the regulation standards (see [2 CFR Part 200, Subpart E](#) on Cost Principles and specific program regulations for more information). Executive and financial staff must be familiar with these principles to ensure grant funds are spent appropriately.

The most common documentation deficiency found in OIG audits relates to payroll. Often grantees have an administrative budget that lists, for instance, one full-time and three half-time staff. They will then charge the grant for the full salary of the one person and half the salaries for the other three, regardless of how their time was actually spent. This is incorrect. Instead, grantees should be requiring staff—both full-time and part-time—to maintain individual timesheets by funding source, cost objective and grant year (if there are multiple grants or years involved). The time sheets are required to be approved by a supervisor and entered into the payroll system accurately. Alternatively, some employees may charge their time through an indirect cost allocation plan. These are all acceptable administrative protocols, but audits find that some grantees or subrecipients neither documented the rationale nor submitted a request to HUD for approval of a cost allocation plan.

Example of incorrect payroll allocation

A non-profit coalition overseeing housing programs incorrectly allocated nearly \$41,000 in program staff salaries to its HUD grants. Employee timesheets were inconsistent with the Coalition's payroll records. The Coalition required its program staff members to classify and separate hours worked by grant on their timesheets. During an audit, coalition officials stated that actual costs incurred often exceeded the total amount of its grants. Management and accounting staffs met on a periodic basis to reallocate costs away from over-expended grants. These reallocations could take place months after the employee timesheets were certified. The grantee should not have reallocated the costs as there was no documentation to justify the changes in the accounting records.

Phase 3. Program and Project Management



In this phase, documentation focuses on the scheduling of activities to project completion and monitoring of subrecipients to ensure that all requirements are being followed. Where matching funds are required, grantees must track the source and age of matching funds for their annual matching report to HUD. This is also true for any program income the grant funds may generate. Grantees and recipients are expected to have support for all progress reports and monitoring notes

and reports. It's a best practice to maintain a chronology file for each project that contains a running history of everything that occurs on the project, including decisions, significant phone call summaries or emails and texts related to major events in the life of the project. Such a document allows a new manager or supervisor to know the exact status of the project and how it got to its current point.

Example of lack of timely progress

A city achieved minimal progress on its economic development activities. It could not demonstrate that more than \$4.7 million in funds were spent in a timely manner. The majority of funds for three fiscal years had gone unspent. The city failed to monitor its subrecipient and failed to require and monitor progress reports. The city should have removed a subrecipient that did not have the capacity to administer the activity and should have requested a reprogramming of funds for other eligible activities.

Phase 4. Close-out

The end of a grant occurs after all activities are completed and expenditures paid (other than close-out costs such as an audit) and grant agreements with subrecipients satisfied. Close-out also requires full reconciliation of all funding and expenditures and securing and disposition of equipment or property per grant requirements. At the end of a grant's period of performance grantees and subrecipients have 90 days to submit (unless an extension is granted) all financial, performance, and other reports, as required by the terms and conditions of the Federal award ([2 CFR 200.343 \(a\)](#)).



Summary

Every year grantees and subrecipients lose millions of dollars of grant funds because they fail to adequately document their actions and expenditures. Knowing the tests for allowability, reasonableness, and allocability, and the types of documentation required to support the entire life cycle of your grant will make grant funds go further and avoid repayments from your own funds.

If you have questions regarding documentation, contact your local CPD representative.

Appendix

Following is a chart that shows the general life cycle activities of a grant and the documentation that will be required. Records must be accurate, complete and orderly. A grantee or recipient must establish the specific requirements for record keeping in its subrecipient agreements.

DOCUMENTATING EACH PHASE OF THE GRANT LIFE CYCLE	
Grant Phase	Documentation needed
Phase 1: Post-award Start-up	
Funding Approvals and Eligibility	<ul style="list-style-type: none"> • Grant applications and amendments • Award and amendment approvals • Consolidated/Action/Annual Plans • Grant correspondence <p>Make sure to have a full description of each activity that includes location, the financials, targeted beneficiaries, and the regulatory provisions confirming eligibility. Don't forget to include citations for cross-cutting regulations such as environmental, uniform administrative requirements (2 CFR Part 200), labor, lead hazard, and fair housing to name a few.</p>
Capacity, Conflict of interest, and Institutional Internal Controls	<p>Examples of support that would apply to CPD grantee and subrecipients:</p> <ul style="list-style-type: none"> • A Charter or Articles of Incorporation/Bylaws • Tax status • List of Board of Directors and Authorized Official • Organizational Chart with Job Descriptions • Résumés of Chief Admin. and Chief Fiscal Officers • Lobbying Statement • Financial Statement and Audit • Conflict of Interest Statement • Results of debarment and suspension checks • Statement of Work • Written Agreements • Executed Memorandums of Understanding with Service Providers • Program policies and procedures • Personnel Policies and Procedures • Grievance Policy • Policy Privacy/Confidentiality Policy • Drug-Free Workforce Policy • Record retention policies
Phase 2: Administration and Spending	
Financial Systems	<ul style="list-style-type: none"> • Policy and procedures on budgeting, budget management, cash management, accounting systems, processing payments, drawing funds, and maintaining program income

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	<ul style="list-style-type: none"> • Project applications should be maintained to ensure costs charged against the grant are consistent with the approved budget items identified in the applications. • Chart of accounts and ledgers for the source, application and balance of funds showing budget, obligation, expense, revenue, credit and cash amounts • Reconciliation reports showing the general ledger accounts match the federal financial management systems, performance reports, and federal cash transaction reports (SF-425) • Purchase orders, contracts, leases, invoices, and receipts to support obligations and costs • The financial assistance agreement between the subrecipient and owner (specifying levels of assistance, intended uses for funds, matching requirements, repayment and recapture procedures) • Financial underwriting to support the level of assistance, viability of the project, capacity to carry-out the project, and eligibility of the funding • Cost Principles (Reasonable, Allocable, and Applicable) reviews with a formal certification for each review asserting that the expenditures and the review is true, complete and accurate (2 Part 200, Subpart E) • Canceled checks or wire transfers to verify receipt of funds • Bank account records • Indirect Cost Allocation Plans (ICAP), Indirect Cost Rate Proposals (ICRP), and executed ICRP agreements • For indirect costs, records to show the formula or rate applications • Documentation to support that the formulas used for distributing costs across funding sources are based on actual reasonable usage for the activities and not portioned based on award amounts or any estimated amounts • Standards for documenting personnel expenses are found in 2 CFR Part 200.430(i), must be incorporated into the official records of the entity, reflect the employees' total activities including the federal- and nonfederal-funded portions and may include payroll, cancelled checks or direct deposit advices, personnel activity reports (PAR forms), and certified time sheets. Draws based on budgeted costs must be adjusted to reflect documented actual costs. • Annual inventories for assets and equipment
Procurement and contracting	<ul style="list-style-type: none"> • Formally adopted written procurement policies and procedures in compliance with 2 CFR Part 200 – Procurement Standards

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	<ul style="list-style-type: none"> • A written code of conduct governing employees, officers or agents engaged in the award and administration of contracts supported by grant funds • Description of Goods and Services • Cost estimates and analysis to determine the price is reasonable • Depending on the type of Procurement: <ul style="list-style-type: none"> - Micro-Purchases - Invoices, logs showing distribution of orders among qualified vendors, quotations unless price is documented as reasonable - Small Purchases - Written or faxed quotes, or if by telephone, a record of the telephone solicitation - Sealed Bids – Bid tabulation, advertisements, outreach notifications, bid evaluations, award determination - Competitive Proposals - advertisements, outreach notifications, list of evaluation factors, evaluation reviews and scores, negotiation correspondence, award determination - Noncompetitive Proposals – Must show why the other forms of procurement were infeasible because: single source; public emergency; or inadequate competition after a number of solicitations were made; and HUD approval prior to contract award • Executed Contracts signed by an authorized official • Results of debarment and suspension checks • Performance oversight documentation may include inspection reports and punch lists • Approved change orders must include justifications and cost analyses to determine the prices are reasonable • Contractor billing oversight means reviews are documented to show that the services or items delivered and paid for are consistent with the items contained in the corresponding purchase orders and/or contracts and timely payment of vendors occurs once requested • Required Bonding and Insurance documents • Records showing affirmative steps to use small, minority-owned and women-owned businesses in grant funded contracts • Contract standard award templates found in 2 CFR Part 200, Appendix II – Contract Provisions for non-Federal Entity Contracts under Federal Awards
Phase 3: Program and Project Management	
Project management	<ul style="list-style-type: none"> • Project case files with documenting what makes the activity eligible (i.e. documenting a disability for permanent supportive housing, documenting an exclusive benefit to disabled adults for public accessibility improvements, work

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	<p>write-ups for housing rehabilitation, and documenting rent and utility rates for affordable rental housing, etc.)</p> <ul style="list-style-type: none"> • Full description of each activity and eligibility determination • National objective determination (CDBG) • Use and changes for real property, property management • Applicable compliance areas and certifications • Characteristics and location of beneficiaries • Evidence of liens to secure loans • Schedules with start and end dates, assignments, progress status (contents vary based of the type of activity being conducted) • Applicable property standards with inspections, building permits, and occupancy certifications • Verifying completion of work with inspections and site visits
Complaints	<ul style="list-style-type: none"> • Policies and procedures for handling complaints from beneficiaries, citizens, contractors, and subrecipients • Written responses • Investigation reports • Correspondence with investigation results and remediation actions if applicable • Verifications that complaints have been sufficiently addressed
Beneficiary eligibility	<ul style="list-style-type: none"> • Proof of Income/address/ other qualifying characteristic depending on the approved activity • Intake/screening procedures • Applications for assistance including property address if applicable • Program participant files with proof of income eligibility and proof of program eligibility as applicable (i.e. elderly, homeless, disabled)
Outcome	<ul style="list-style-type: none"> • Documentation that Annual Performance Reports were submitted timely • Performance plan and progress reports
Monitoring	<ul style="list-style-type: none"> • Policy and procedures • Risk assessments • Monitoring schedules and plans • Monitoring results and reporting • Tracking of corrective actions
Subrecipient oversight	<p>Subrecipients are considered extensions of the grantees/recipients and therefore must maintain documents for federally-funded activities in the same manner as grantees and recipients. They maintain the same documents required by grantees and recipients in this guidance. The responsibilities to maintain records is passed on through the written agreement.</p>

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	<ul style="list-style-type: none">• Policies and procedures for maintenance and access to subrecipient records• Periodic requests and reviews of subrecipient activities and the records to support them
Phase 4: Close-out	
	<p>Records to be maintained are typically specified in a close-out notice. They may include:</p> <ul style="list-style-type: none">• Asset/property disposition• Matching requirements met• Final Status and Evaluation Report (ASER).• Financial Status Report SF-425.• Final request for payment• Subrecipient close out agreement



Integrity Bulletin

U.S. Department of Housing and Urban Development
Office of Inspector General

"In government contracting, we can't afford the luxury of mistakes. You must be aware of what is going on and what you can do to protect both the government and yourself."

– Federal Acquisition Institute

Procurement & Contracting: Five Ground Rules for Grantees and Subrecipients

Purpose

Goods and services must be procured in an effective manner and in compliance with Federal, State, and local laws. These laws exist to ensure that funds are awarded through fair and open competition and are spent on eligible and reasonably priced goods and services. Although the majority of grantees and subrecipients comply with these rules and regulations, we are issuing this bulletin to assist you in identifying potential weaknesses in procurement and contracting procedures. Weak or nonexistent procurement policies and management oversight can entice some employees to manipulate contracts to their personal benefit and can result in costly, wasteful, or unenforceable contracts. However, the very act of monitoring procurements and contracts has a deterrent effect on fraud and poor management and thereby enhances the integrity of the program.

While the information contained in this bulletin does not supersede previously issued guidance currently in effect, it should serve as a useful tool in highlighting important requirements and establishing self-assessments of your procurement and contracting activities.

Background



Federal grants are covered either by a new common rule at 2 CFR (Code of Federal Regulations) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, or the previous version at 24 CFR Parts 84 and 85 (for grants made before December 14, 2014). Grantees are also required to follow applicable State or local laws on procurement, depending on their location. If there are inconsistencies among Federal, State, or local laws, the strictest of the requirements applies.

Although the administrative procedures concerning procurement may vary, there are several major requirements that should be met consistently. While reviewers must concentrate on administrative compliance, they also should be alert to indications of fraud and abuse. When indications of irregularity are uncovered, additional assessment of the situation may be needed. It is prudent for elected officials and executives to be alert to any controversies or complaints regarding these activities and the staff responsible for them.

For this reason, it is up to the grantee to ensure that a standard is in place and that anyone hired to conduct procurement activities has appropriate training and experience. The grantee should also provide continuing training in procurement and contracting to ensure that its staff keeps up to date on procurement requirements, such as the new 2 CFR Part 200. Training is available from many State agencies, the National Procurement Institute, the Public Contract Institute, or private firms, but it must be tailored to Federal grant requirements.

Example of Poor Policies or Training

- City councilmembers approved a construction contract for \$782,215 for the rehabilitation of 28 residential streets. A month later, the councilmembers approved a change order that increased the contract from \$782,215 to more than \$2.1 million, which allowed the contractor to perform additional construction work on 16 more residential streets. Regulations required that the city make available preaward review procurement documents, such as proposals or invitations for bids, independent cost estimates, etc., when a proposed contract modification changed the scope of a contract or increased the contract amount by more than \$100,000. Although the city obtained approval from councilmembers for the material change order, there was no documentation to show that it performed a cost or price analysis as required by 24 CFR 85.36(f)(1). This condition occurred because the city had policies and procedures that were separate from its implemented program procedures, which did not consider applicable HUD rules and regulations to ensure proper documentation of its program-funded procurement actions. The grantee should have used the HUD-required procurement rules.

3. Insist on Good Record Keeping



Grantees should ensure that policies and procedures are comprehensive regarding the level of documentation to be maintained on procurements and contracts. While outside parties or subrecipients may conduct the procurements, the grantee is responsible for ensuring that all original records are available and readily accessible for audit or other reviews.

While it is not required, you may want to consider requiring that periodic reports on procurement activities be reviewed by management to ensure transparency and integrity in the process. Reviewing these reports may disclose conflicts of interest or other abuses. Reports to consider obtaining are

- **A spend map**, a periodic plan for what is to be bought. Understand what (and how) you and your subrecipient spend.
- **A contracts register** of vendors, contractors, and subcontractors by date and type of procurement (micropurchases, small purchases, requests for proposals, and sole-source and competitive bids), funding source, and amount of the contract, along with a brief description.
- **A Summary of change orders** by contract.
- A report that **cross-checks** vendor addresses and phone numbers with those of employees.
- A report of any **purchases lacking invoices**.

Examples of Poor Record Keeping

- During an audit, a city did not provide complete file documentation for its procurement and expenditure transactions, resulting in many requests for missing documents. After the audit fieldwork ended, the city provided more than 18,000 pages of documentation to support its procurements and expenditures. A

- Executed a contract for services when different sealed bids were submitted on the same day from the same contractor for the same project, which resulted in an unsupported payment of \$8,000. There was no documentation explaining why the bid awarded was greater than the lowest bid submitted. Regulations at 24 CFR 85.36(d)(2)(ii)(D) state that a contract will be awarded to the lowest responsive and responsible bidder.
- Paid contractors before inspection and project completion contrary to the Authority's management plan requirements. The Authority's management plan states that the Authority must ensure that work is inspected before making payment to contractors.
- Did not ensure that the amount of the bid submitted by the contractor equaled the accepted bid amount on the bid summary. The bid form submitted by the contractor listed a bid in both numerical and written form, and the Authority accepted the numerical bid amount. The Authority's bid form states that bid amounts must be stated in both words and figures and that in case of a discrepancy, words will govern.
- Accepted bids for demolition services when the demolition method was not known at the time the bids were received. Since the demolition method was not known, the Authority could not have determined an accurate cost estimate. Regulations at 24 CFR 85.36(f) state that subgrantees must perform a cost or price analysis in connection with every procurement action. Grantees must make independent estimates before receiving bids or proposals. It was determined later that the demolition work was not done on several units, although the grantee paid for the work.

5. Uphold Ethics and Bar Conflicts of Interest

HUD requires that a written code of standards be included in the procurement policy, and many State and local conflict-of-interest laws also have requirements. Ensure that your guiding principles bar those in positions of trust from personally gaining from transactions and that the process is fair to all seeking to do business with the grantee or subrecipients.



A common problem is the lack of understanding of what "appearances of conflicts" entails. Too often, managers believe that indirect or noncash gifts are not considered a conflict of interest. Examples are vendor or contractor donations to employee fund-raising drives, event tickets, meals, or giveaway gifts like a Thanksgiving turkey or iPad drawing given to an employee-affiliated organization. These gifts could be considered potential conflicts of interest so it's best to be wary of accepting anything of value from a contractor. If you are unsure whether it is legal or creates an appearance of a conflict, seek expert advice.

As a grantee, you have an obligation to not only avoid conflicts of interest yourself, but also to be alert and question real or apparent conflicts by any others, including subrecipients. Conflict-of-interest restrictions also extend to immediate family members, business partners, or organizations where they may be employed or seeking employment.

Ethics also entails maintaining integrity through strong financial controls to avoid embezzlement and theft of assets. During fiscal years 2011 to 2015, the Office of Inspector General (OIG) investigated and obtained 239 convictions of grantee staff members or contractors.



7 Keys to Handling Conflicts of Interest

Conflicts of interest arise when officials or staff stand to benefit--either directly themselves or indirectly through business partners or relatives--from the awarding or contracting of grant funds. Grantees are encouraged to avoid conflicts of interest to the extent possible. When conflicts of interest arise, grantees must identify, disclose, and manage them in compliance with applicable rules and regulations. When conflict-of-interest issues are overlooked or hidden, this creates problems for the individuals involved, as well as grantees, subrecipients, or contractors. This bulletin discusses common types of conflicts of interest, offers best practices for avoiding and managing them, and the potential consequences of not handling them appropriately.

Identify, disclose, and manage all real and apparent conflicts of interest through elimination, mitigation, or waivers.



1. Know the Requirements

In general, conflicts of interest occur when one's private interest and public duties overlap, resulting in a real or perceived lack of independence or impartiality. Common situations include:

- Elected officials voting on awarding of funds to organizations where a family member is on the staff or where the elected official is on the subrecipient's board;
- Executive directors of subrecipients entering into contracts with companies they are affiliated with through employment of, or ownership by, themselves or their relatives;
- Grantee officials or staff who have relatives who may benefit from a subrecipient's programmatic activities; and
- Failure to notify the U.S. Department of Housing and Urban Development (HUD) about conflicts of interest, or late and or incomplete requests for exceptions.

The existence of a conflict of interest does not necessarily mean that any individual acted improperly or illegally, but it does mean that, unless properly handled and addressed, he or she could end up being in violation of Federal rules. Therefore, all such cases must be identified and resolved by eliminating the conflict or obtaining a written exception.

Two sets of conflict-of-interest rules exist – one for procurement activities and others for non-procurement, sub-granting/program delivery activities.

- A. Procurement Standards:** Regulations at 2 CFR (Code of Federal Regulations) 200.318(c) require non-Federal entities to maintain written standards of conduct

the governing authority, the organization's leadership and, as appropriate, the organization's agents. To have the most impact, the organization should have a written policy requiring annual conflict-of-interest training, and legal counsel or other qualified individuals should review the policy with employees (and board members), subrecipient officers, and pass-through entity staff at least annually. Documenting training is a best practice. The organization should:

- Provide training;
- Require that staff annually submit certifications regarding outside businesses, outside employment, and volunteer positions;
- Record a certification of attendance at trainings; and
- Follow up with annual refresher sessions.



3. Create Procedures to Document Compliance

Conflict-of-interest policies and procedures should describe how conflicts will be handled. When a conflict or potential conflict of interest exists, the person with the conflict should advise the board or management committee in writing and seek guidance on how to resolve the conflict. Conflict-of-interest notifications usually include:

- The person's name, position, phone number and address;
- Details of the nature of the conflict of interest, (perceived, apparent, or actual);
- Date of notification; and
- Requested action to address the conflict of interest (recusal, exemption request, etc.).

The notification and subsequent actions should be recorded in minutes of board or management meetings. Record-keeping best practices includes documenting:

- Conflict-of-interest notifications;
- Cases of failure to disclose;
- Disclosure by others (for example colleague or member of the public);
- Reviews or investigations of alleged conflicts;
- Assessment of the matter and how it was considered;
- Action taken or resolution; and
- Annoying or trivial claims.



4. Implement the Regulations

Often people are unaware that their activities are in conflict with the best interests of the organization. A goal should be to raise awareness, encourage disclosure and discussion of issues that may constitute a conflict, and constantly encourage a "culture of candor."

Leadership and culture are important aspects of compliance. Boards or leaders should establish a culture of compliance and honesty and encourage disclosure by establishing a protocol for staff to self-report possible conflicts, raise suspected conflict-of-interest issues, or ask for guidance, without fear of retaliation. Leadership should appoint an individual or office to ensure conflict-of-interest rules are implemented and followed. However, the protocol should not rely solely on

If you have knowledge of possible fraud, promptly report it to your local HUD Office of Inspector General (OIG) or online to the OIG hotline on OIG's Web site at <https://www.hudoig.gov/report-fraud>.



6. Request an Exception

HUD may grant an exception to non-procurement conflicts of interest on a case-by-case basis. It is the recipient's responsibility to submit a written request for an exception to its local HUD CPD office. When submitting a request, the recipient must provide the following documentation as threshold requirements for consideration:

- A public disclosure of the conflict (include how the disclosure was made); and
- An opinion of the recipient's attorney that the exception does not violate State or local law.

HUD determines whether threshold requirements are met and whether the circumstances fall within exception criteria permitted by the regulations. Remember that submitting a request does not authorize a recipient to engage in any activity or enter into any contract that constitutes a conflict. The recipient may proceed only after receiving the approval in writing from HUD.



7. Get Help

Conflict-of-interest requirements are often nuanced and must be reviewed case by case. HUD provides assistance when conflict-of-interest situations arise or are in question. You can get help from your local CPD office when such issues arise.

Bottom line:

***Conflicts of interest are situations not allegations...
BUT they must be disclosed and managed properly.***



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Summer 2016

Subrecipient Oversight and Monitoring – A Roadmap for Improved Results

This bulletin highlights the importance of effective subrecipient management and oversight by grantees receiving funds from the U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development (CPD). On December 26, 2013, the Office of Management and Budget issued revised guidance under 2 CFR (Code of Federal Regulations) Part 200. The result was consolidation of and changes to government-wide uniform administrative requirements, cost principles, and audit requirements for Federal awards. These changes emphasized a grantee's responsibility to manage and monitor its subrecipients, including monitoring a subrecipient's performance and compliance with applicable laws and regulations, as well as taking appropriate action when performance and compliance issues arise. This bulletin provides key tips for improving effective oversight of subrecipients.

The Importance of Monitoring

The American public wants accountability from government and assurance that Federal funds are spent effectively to accomplish their intended purpose. For CPD programs, grantee oversight of subrecipients is a critical place "where the rubber meets the road." It is where results are attained and funds are safeguarded. Under 2 CFR Part 200, grantee monitoring of subrecipient activities is required to ensure that (1) subawards are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and (2) subaward performance goals are achieved. When no monitoring or insufficient monitoring occurs, the grantee may risk losing HUD funding. Regulations at 2 CFR Part 200 require grantees to establish and maintain effective internal controls for themselves and ensure that their subrecipients do the same. One way a grantee can develop internal controls is by designing an effective monitoring process.

2 CFR 200.93 defines a subrecipient as a non-federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program.

Step 1 – Build Monitoring Into Your Work Plan

Effective subrecipient oversight includes building a monitoring strategy into a grantee's annual work plan. The purpose of a monitoring strategy is to define the scope and focus of a grantee's monitoring efforts, including establishing a framework for determining the appropriate level of monitoring for subrecipients based on the resources available. A grantee's work plan should include time to conduct a risk analysis on each subrecipient as well as where and when the grantee will apply staff and travel resources for monitoring, training, or technical assistance of its subrecipients.

Step 3 – Create Your Monitoring Strategy

Keep notes on what factors contributed to the selection of each subrecipient as you go through the 10 questions above and additional factors you add to your own checklist or spreadsheet. A best practice is to rate recipients by a high-, medium-, and low-risk designation for each area reviewed and then give an overall rating. Once you have the ratings for all subrecipients, you can determine how best to monitor them and provide needed technical assistance and training. Your monitoring strategy should include a schedule for the frequency and types of monitoring (desk review or onsite) based on your resources, subrecipient risks, and number of subrecipients and distance from them. A schedule should also be written and approved by managers that specifies how each subrecipient will be monitored, when, and by whom on the staff. Any adjustments to the risk rating or monitoring schedule should be noted. Office of Inspector General (OIG) audits frequently find that grantees fail to conduct onsite monitoring visits or follow the schedules they have set. Be sure to commit the resources needed to accomplish monitoring as planned.

Develop a checklist for your lower risk subrecipients that can be used in a desk review and create individual onsite checklists for the higher risk subrecipients based on the risks identified in their assessments. At the end of this bulletin, several resources are listed that contain sample checklists for various CPD programs and compliance requirements. As a practical matter, you cannot complete all checklists for all subrecipients, which is why the results of the assessments should be used to tailor your monitoring approach. Choose the checklists that would be most useful in covering the weaknesses identified. You may also choose which questions on a particular checklist to use if some questions don't apply or if you have reason to believe the subrecipient will perform adequately in the areas covered by the questions. A best practice is to put a note next to the questions on why you are omitting them.

A. Conduct Remote Monitoring

Remote monitoring can be an appropriate tool for monitoring lower risk subrecipients. This practice, also known as a desk review, is a good way for grantees and subrecipients to share information on program updates, changes to policies, and other information that impacts the activity. A good technique is for the grantee to ask narrative, open-ended questions about how the activity is going and whether the subrecipient is encountering any obstacles or difficulties. The focus of such a review should be on determining whether major operational changes have occurred since the last review. In addition to the desk review of submitted reports, conduct telephone interviews and determine whether the initial risk assessment score is correct or additional monitoring is needed. Note that for CPD programs, guidance for HUD staff conducting monitoring, including remote monitoring, is found in the CPD Monitoring Handbook, which grantees may also refer to in designing their monitoring checklists and procedures.

B. Conduct a Site Review

An onsite review should be conducted for subrecipients that score higher on the risk assessment or have not had a site visit in some time (2 CFR 200.331(d) and (e)). Make sure that your staff has updated checklists (see note above) and understands them in advance. A best practice is to develop a customized comprehensive checklist before the site visit based on factors identified during the risk assessment. This practice will allow staff to focus on the most important and riskiest areas to review. Encourage staff to ask questions and not have the review become a mechanical series of checkoffs. One way to avoid this problem is to build into the checklist an area to take notes, attach copies (or

PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

Subpart A—Acronyms and Definitions

ACRONYMS

Sec.		
200.0	Acronyms.	200.48 General purpose equipment.
200.1	Definitions.	200.49 Generally Accepted Accounting Principles (GAAP).
200.2	Acquisition cost.	200.50 Generally Accepted Government Auditing Standards (GAGAS).
200.3	Advance payment.	200.51 Grant agreement.
200.4	Allocation.	200.52 Hospital.
200.5	Audit finding.	200.53 Improper payment.
200.6	Auditee.	200.54 Indian tribe (or "federally recognized Indian tribe").
200.7	Auditor.	200.55 Institutions of Higher Education (IHEs).
200.8	Budget.	200.56 Indirect (facilities & administrative (F&A)) costs.
200.9	Central service cost allocation plan.	200.57 Indirect cost rate proposal.
200.10	Catalog of Federal Domestic Assistance (CFDA) number.	200.58 Information technology systems.
200.11	CFDA program title.	200.59 Intangible property.
200.12	Capital assets.	200.60 Intermediate cost objective.
200.13	Capital expenditures.	200.61 Internal controls.
200.14	Claim.	200.62 Internal control over compliance requirements for Federal awards.
200.15	Class of Federal awards.	200.63 Loan.
200.16	Closeout.	200.64 Local government.
200.17	Cluster of programs.	200.65 Major program.
200.18	Cognizant agency for audit.	200.66 Management decision.
200.19	Cognizant agency for indirect costs.	200.67 Micro-purchase.
200.20	Computing devices.	200.68 Modified Total Direct Cost (MTDC).
200.21	Compliance supplement.	200.69 Non-Federal entity.
200.22	Contract.	200.70 Nonprofit organization.
200.23	Contractor.	200.71 Obligations.
200.24	Cooperative agreement.	200.72 Office of Management and Budget (OMB).
200.25	Cooperative audit resolution.	200.73 Oversight agency for audit.
200.26	Corrective action.	200.74 Pass-through entity.
200.27	Cost allocation plan.	200.75 Participant support costs.
200.28	Cost objective.	200.76 Performance goal.
200.29	Cost sharing or matching.	200.77 Period of performance.
200.30	Cross-cutting audit finding.	200.78 Personal property.
200.31	Disallowed costs.	200.79 Personally Identifiable Information (PII).
200.32	Data Universal Numbering System (DUNS) number.	200.80 Program income.
200.33	Equipment.	200.81 Property.
200.34	Expenditures.	200.82 Protected Personally Identifiable Information (Protected PII).
200.35	Federal agency.	200.83 Project cost.
200.36	Federal Audit Clearinghouse (FAC).	200.84 Questioned cost.
200.37	Federal awarding agency.	200.85 Real property.
200.38	Federal award.	200.86 Recipient.
200.39	Federal award date.	200.87 Research and Development (R&D).
200.40	Federal financial assistance.	200.88 Simplified acquisition threshold.
200.41	Federal interest.	200.89 Special purpose equipment.
200.42	Federal program.	200.90 State.
200.43	Federal share.	200.91 Student Financial Aid (SFA).
200.44	Final cost objective.	200.92 Subaward.
200.45	Fixed amount awards.	200.93 Subrecipient.
200.46	Foreign public entity.	200.94 Supplies.
200.47	Foreign organization.	200.95 Termination.
		200.96 Third-party in-kind contributions.
		200.97 Unliquidated obligations.
		200.98 Unobligated balance.
		200.99 Voluntary committed cost sharing.

Basically CDBG for Entitlements

Date Published: May 2014

Description

This training was developed to guide and assist Community Development Block Grant (CDBG) Entitlement grantees in the implementation of their programs. From national objectives and eligible activities to the details of administration, financial management, and other federal requirements, these resources are valuable for every CDBG program practitioner.

Resource Links

- Table of Contents (/resources/documents/Basically-CDBG-TOC.pdf) (PDF)
- Chapter 1: Overview (/resources/documents/Basically-CDBG-Chapter-1-Overview.pdf) (PDF)
- Chapter 2: Activity Selection and Implementation (/resources/documents/Basically-CDBG-Chapter-2-Activity.pdf) (PDF)
- Chapter 3: National Objectives (/resources/documents/Basically-CDBG-Chapter-3-Nat-Obj.pdf) (PDF)
- Chapter 4: Housing Activities (/resources/documents/Basically-CDBG-Chapter-4-Housing.pdf) (PDF)
- Chapter 5: Other Real Property Improvements (/resources/documents/Basically-CDBG-Chapter-5-Property-Improvement.pdf) (PDF)
- Chapter 6: Public Facilities, Special Assessments, and Privately-owned Utilities (/resources/documents/Basically-CDBG-Chapter-6-Public-Facilities.pdf) (PDF)
- Chapter 7: Public Services (/resources/documents/Basically-CDBG-Chapter-7-Public-Services.pdf) (PDF)
- Chapter 8: Economic Development and Section 108 (/resources/documents/Basically-CDBG-Chapter-8-Section-108.pdf) (PDF)
- Chapter 9: Other Eligible Activities (/resources/documents/Basically-CDBG-Chapter-9-Other-Eligible-Activities.pdf) (PDF)
- Chapter 10: Revitalization Areas (/resources/documents/Basically-CDBG-Chapter-10-Revitalization.pdf) (PDF)
- Chapter 11: Financial Management (/resources/documents/Basically-CDBG-Chapter-11-Financial-Management.pdf) (PDF)
- Chapter 12: IDIS Online and CDBG (/resources/documents/Basically-CDBG-Chapter-12-IDIS.pdf) (PDF)
- Chapter 13: Performance Measurement, Reporting, Recordkeeping, and Monitoring (/resources/documents/Basically-CDBG-Chapter-13-Performance-Measurement.pdf) (PDF)
- Chapter 14: Procurement (/resources/documents/Basically-CDBG-Chapter-14-Procurement.pdf) (PDF)
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- Chapter 18: Relocation and Acquisition (/resources/documents/Basically-CDBG-Chapter-18-Relocation.pdf) (PDF)
- Chapter 19: Fair Housing, Accessibility, and Equal Employment (/resources/documents/Basically-CDBG-Chapter-19-Fair-Housing.pdf) (PDF)
- Chapter 20: The NSP Program (/resources/documents/Basically-CDBG-Chapter-20-NSP.pdf) (PDF)
- Chapter 21: Disaster Recovery (CDBG-DR) (/resources/documents/Basically-CDBG-Chapter-21-CDBG-DR.pdf) (PDF)
- Slides (/resources/documents/BasicallyCDBG_Slides.pdf) (PDF)
- Basically CDBG Spanish Version (<https://www.hudexchange.info/resource/4069/basicamente-cdbg/>) (HTML)

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Program Requirements - Eligible Activities/Uses

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