

Chapter 13: Amendments and Monitoring

Introduction

This chapter provides information to CDBG-DR subrecipients on amendments to project activities and/or budgets. It will define what is considered an amendment and the process for amending a project. This chapter also discusses the technical assistance and monitoring aspects of the program both in terms of what DLG does as well as subrecipient responsibilities.

Section 13-A. Reporting for Rental Housing

Subrecipients that have been awarded rental rehabilitation or reconstruction funding will be required to gather information on the tenants who are residing in the affordable housing units improved with CDBG-DR funds at the time of lease up as well as during the affordability period. CDBG-DR funded rental units must be maintained as safe, affordable, and clean housing units. Attachment 13-2 Tenant Demographic Collection Form will be submitted to DLG at the time of lease up as well as annually during the period of affordability. Attachment 13-3 Annual Unit Inspection Form will be submitted to DLG at the time of lease up as well as annually during the period of affordability. Please see the program policy for the full description of program requirements. Multi-family new construction projects funded with CDBG-DR funding in association with KHC will have different reporting requirements.

Attachment 13-2: Tenant Demographic Collection Form

Attachment 13-3: Unit Inspection Form

Section 13-B. Project/Budget Amendments

When an Amendment Is Required

A project/budget amendment is defined as a:

24 CFR 570.486(a)(6)

- ✓ Change in the approved budget for a project; and/or
- ✓ Change in the purpose, scope, location or beneficiaries of an activity from what was in the grant application and approved by the state.

Subrecipients are advised to contact their DLG representative if problems emerge which might lead to project modifications, or if any change is contemplated. Early notification of potential problems will permit DLG to work with the subrecipient to try to resolve them and to determine which additional CDBG requirements may be triggered should a project amendment be necessary.

Procedures for Project/Budget Amendments

Any change to the scope or budget for an approved activity is considered an amendment and requires DLG approval prior to taking effect. A Request for Project/Budget Amendment Form must be completed, signed by the signatory to the original contract with DLG such as the mayor/county judge/executive and

Attachment 13-1:
Request for Project/Budget Amendment Form

submitted to DLG. Additional CDBG-DR and related requirements may also apply depending upon the magnitude of the amendment. (Please refer to the *Project/Budget Amendment Checklist* table later in this section for more information.) Note that DLG will allow for changes necessary for project completion but does not expect the changes to alter the project completion date.

Because grants were selected for funding based on a proposed project, the amendment will be reviewed carefully by DLG, and the subrecipient will be notified of approval or disapproval. A subrecipient should never proceed with requested change(s) until it receives written approval from DLG.

Substantial Amendments and Compliance with Additional Requirements

Upon receipt of the Project/Budget Amendment Form, DLG will determine if the proposed change is considered substantial under the CDBG regulations or CDBG-DR guidance. The determination as to whether an amendment is considered substantial is critical, as it will dictate whether additional CDBG requirements are triggered by the amendment. Substantial amendments are changes to a project such as size or magnitude that warrant notification to the public and a review of compliance with other requirements such as environmental review. Examples include a public facility project that was intended to be located in one area of the community but is now proposed to be located on a different site in the community, or a project that was intended to provide jobs that is now proposed to benefit a limited clientele.

42 U.S.C. 5304(a)(2)(E)
and 24 CFR 570.486(a)(6)

DLG will notify the subrecipient once a determination has been made. If the change is considered substantial, several additional actions must be taken prior to the subrecipient proceeding with the new activity.

Title 1 of the Housing and Community Development Act requires that significant modifications of the proposed activities meet certain citizen participation requirements. Specifically, citizens must be provided reasonable advance notice of and the opportunity to comment on substantial changes to a CDBG-funded project. This means that subrecipients must hold a public hearing to inform the public of the proposed change. The hearing must be advertised in a newspaper at least seven days prior to the hearing. Evidence of the advertisement (tear sheet) and attendees to the hearing must be provided to DLG along with the Request for Project/Budget Amendment Form.

One of the first action items if making substantial project changes is to hold a public hearing

Additional requirements may also apply to substantial amendments pertaining to the items listed below. Refer to the *Project/Budget Amendment Checklist* table for more information.

- ✓ Environmental review;
- ✓ Clearinghouse endorsement; and
- ✓ National objective documentation.

Tip: Contact DLG as early as possible if you think a substantial amendment may be required. DLG can help subrecipients identify all the additional required actions so they can be completed in a timely manner and not delay the project.

Project/Budget Amendment Checklist

Item	Action/Requirement
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Change in Scope	Activity Amendment.
Beneficiary Update	Complete Benefit Profile form.
Clearinghouse Assurance	If the amendment is considered substantial, changes will have to be submitted to the Clearinghouse for an updated endorsement.
Public Hearing	If the amendment is considered substantial, a public hearing is required. Subrecipient must advertise the hearing at least 7 days in advance.
National Objectives	All changes must be eligible activities and qualify under a National Objective.
Environmental Review	If the amendment is considered substantial, the environmental clearance will need to be updated. It is important to discuss the updates with DLG early.
Budget Amendment	Approved before submitting draw request.
Change in Scope	Activity Amendment.

When Projects Cost Less than Planned

As a project nears completion and it becomes apparent that the final project costs will be less than anticipated and budgeted, the subrecipient must contact DLG regarding the next steps. Subrecipients should not proceed with additional activities without DLG review and approval.

Section 13-C. Technical Assistance and Monitoring

Overview

It is the goal of DLG to assist and support recipients in complying with applicable state and federal requirements and in implementing their project activities in a timely manner. There are two corollary ways that DLG accomplishes this. First, DLG provides ongoing technical assistance (TA) and training. This occurs in a variety of methods:

- ✓ DLG staff fielding and answering questions;
- ✓ Meetings and site visits with local staff and officials to discuss potential projects and program requirements;
- ✓ Application documents and workshops;
- ✓ Posting of this handbook and other resources on the DLG website; and
- ✓ Regular training sessions for both new and experienced grant administrators.

Monitoring is the other primary mechanism to ensure compliance occurs. As such, it is important that subrecipients have a clear and common understanding of the monitoring process and procedures. This section provides information on the scope and frequency of monitoring, and roles of the monitoring staff, and the key steps involved in the monitoring process. Subrecipients may also request assistance from DLG at any time.

Title I outlines the review responsibilities of the Commonwealth. DLG is required by Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.492 of the State CDBG Regulations to monitor its CDBG-DR subrecipients. CDBG-

42 U.S.C. 5304(e)(2)
and 24 CFR 570.492

DR guidance from HUD is the same. The review responsibility requires that the Commonwealth ensure three key areas are in compliance:

- ✓ Approved activities are carried out in a timely manner;
- ✓ Activities and certifications are conducted in accordance with the requirements and the primary objectives of Title I and with other applicable laws; and
- ✓ Subrecipients show a continuing capacity to carry out approved activities in a timely manner.

The Monitoring Process

The monitoring review may be a comprehensive evaluation of all aspects of the program or project for all aspects of compliance, or it may be oriented toward assessing compliance in a specific area or areas. The reviews may be conducted at DLG's offices or on-site. The depth and location of the monitoring will depend upon which compliance areas need to be reviewed. Note, however, that a full scope monitoring of all compliance areas should be conducted at least once for each funded activity. Exhibit 1, on page 12-6, illustrates the process in a flow chart.

Monitoring also provides an opportunity for subrecipients and/or grants administrators to seek technical assistance in areas of concern or confusion.

Scheduling the Visit

A visit is scheduled in advance. The Chief Executive Officer (CEO) of the subrecipient, as well as the grant administrator, is notified of the date, time, location and purpose of the review visit in writing or via email.

Entrance Meeting/Interview

Once on-site, the first thing that typically occurs is an entrance meeting/interview. DLG staff will conduct an entrance meeting/interview to state the purpose of the review and outline which files and documentation will be needed during the review. Subrecipients should be prepared to provide an overview of the project as well as its status and any issues prior to the beginning of the reviews. The DLG staff will also ask about particular concerns or needs regarding the project so that technical assistance can be scheduled, if appropriate.

Monitoring of Files and Other Documentation

Utilizing appropriate checklists, the DLG staff will review the files to determine if all requirements have been met. The primary areas being examined are consistency with the specific terms of the grant agreement and compliance with state and federal requirements.

Record keeping is the most important component of monitoring.

- ✓ Subrecipient files pertaining to the CDBG project must be orderly and complete.
- ✓ In addition, if files are maintained by or located in another office such as an engineer or clerk, these files should be obtained and available for review.

If there are areas that are discovered during the review that indicate noncompliance with the laws, regulations or other requirements, this may result in a finding. A finding of non-compliance must be remedied. A finding can result in a sanction if corrective action is not taken in a specified manner and/or

timeframe. For each finding, DLG must indicate a corrective action, either to correct a past problem or to avoid a future problem, which must be taken by the subrecipient. A deficiency in program performance not based on a statutory, regulatory, or other program requirement is a concern. Corrective actions are not required for concerns, but DLG may recommend actions to address concerns.

Findings with corrective actions must be outlined in the Monitoring Review Letter. Concerns may also be included. Monitoring letters are discussed further below.

Tip: Most of the previous chapters include a brief section on monitoring and record keeping as it relates to each topic. Refer to those sections for details on what to expect from monitoring and which files to have on hand for the review.

Exit Meeting/Interview

At the conclusion of the review, DLG staff may conduct an exit interview with the subrecipient, if requested or appropriate. The meeting typically includes local officials and the grants administrator and provides a tentative summary of the results of the review. If problems are apparent, including any findings or concerns, the subrecipient has an opportunity to provide more information or clarification.

The DLG reviewer will also indicate the timeframe in which a monitoring letter will be sent, the process for requiring the subrecipient to address any findings, and the consequences for not addressing compliance issues in a timely manner.

Finally, the DLG reviewer will discuss any further technical assistance that is requested or needed. It may be needed to make arrangements for such technical assistance to be provided at a later date.

Review Letter and Follow-Up Actions

The subrecipient will receive a formal review letter giving the results of the review. This letter will generally be within 30 days of the conclusion of the monitoring review; however, a longer time frame may be appropriate based on workload and the complexity of the issues at hand. The letter will:

- ✓ Summarize the area(s) reviewed and performance expectations,
- ✓ Provide a summary and an analysis of what was discovered during the review, and
- ✓ List all findings and recommended corrective actions to resolve the findings and the timeframe in which the corrective actions must be carried out.

The review letter may also include one or more recommendations. These are matters that, if not properly addressed, can become a finding and can ultimately result in sanctions. Recommendations are often used to point out operational or management problems, or patterns of performance that could lead to larger problems later, even if they are not evident at the time of the review. Recommendations may require some form of response on the part of the subrecipient.

The subrecipient must respond in writing within 30 days to any findings and recommendations listed in the compliance review letter.

- ✓ The subrecipient will describe all corrective actions taken or provide new information not reviewed during the visit. The corrective actions must be consistent with the recommendations made by DLG in the monitoring letter.

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- ✓ The subrecipient's Chief Executive Officer must certify that all regulations will be observed in future transactions and provide written assurance that no adverse effects occurred to the project for failure to observe said regulations.

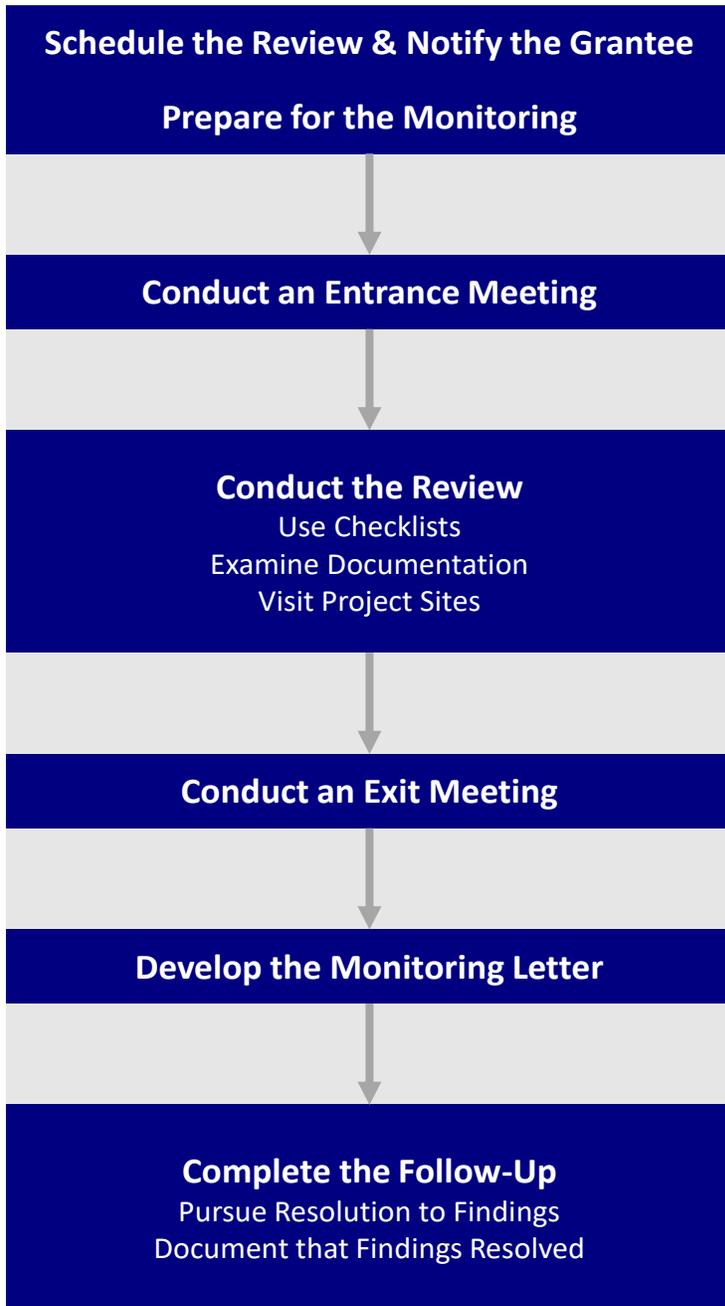
If issues are not resolved, DLG may, as outlined in the CDBG regulations, impose a progressive level of sanctions that include:

- ✓ Additional reporting,
- ✓ Suspension of funding,
- ✓ Additional special conditions,
- ✓ Return of disallowed expenditures,
- ✓ Termination of the grant, and/or
- ✓ Legal action.

DLG will inform the subrecipient if the response is sufficient to clear the findings. DLG will provide any assistance necessary during the review or after any findings or concerns are made to ensure that the project is completed according to the grant agreement and all state and federal rules and regulations. No project will be closed if there are outstanding findings, including audit issues. (Refer to Chapter 14: Project Closeout for more information.)

Exhibit 1: CDBG-DR Monitoring Process Flow Chart

Chapter 14: Project Closeout



Subrecipient Monitoring of Local Subrecipients

DLG Subrecipients are responsible and liable for full compliance with all applicable laws, regulations and requirements that come with CDBG-DR funds. Therefore, when subrecipients pass on/through CDBG-DR funds to another entity to carry out a program, the subrecipient must ensure the local subrecipient is carrying out that program in full compliance. The Office of Management and Budget (OMB) guidance issued December 26, 2013 regarding 2 CFR Part 200 (Omni Circular) emphasized the responsibility to manage and monitor subrecipients and to take action when performance and compliance issues arise. The information provided previously in this chapter regarding DLG monitoring and oversight of subrecipients can also be applied by a subrecipient at the local subrecipient level. Additional guidance is available as indicated in the text box to the right. Subrecipients should inform DLG of any issues that arise and work collectively towards timely and appropriate resolution.

Chapter 3: Financial Management
& HUD Office of Inspector General
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