



**COUNTY
of SAN LUIS
OBISPO**

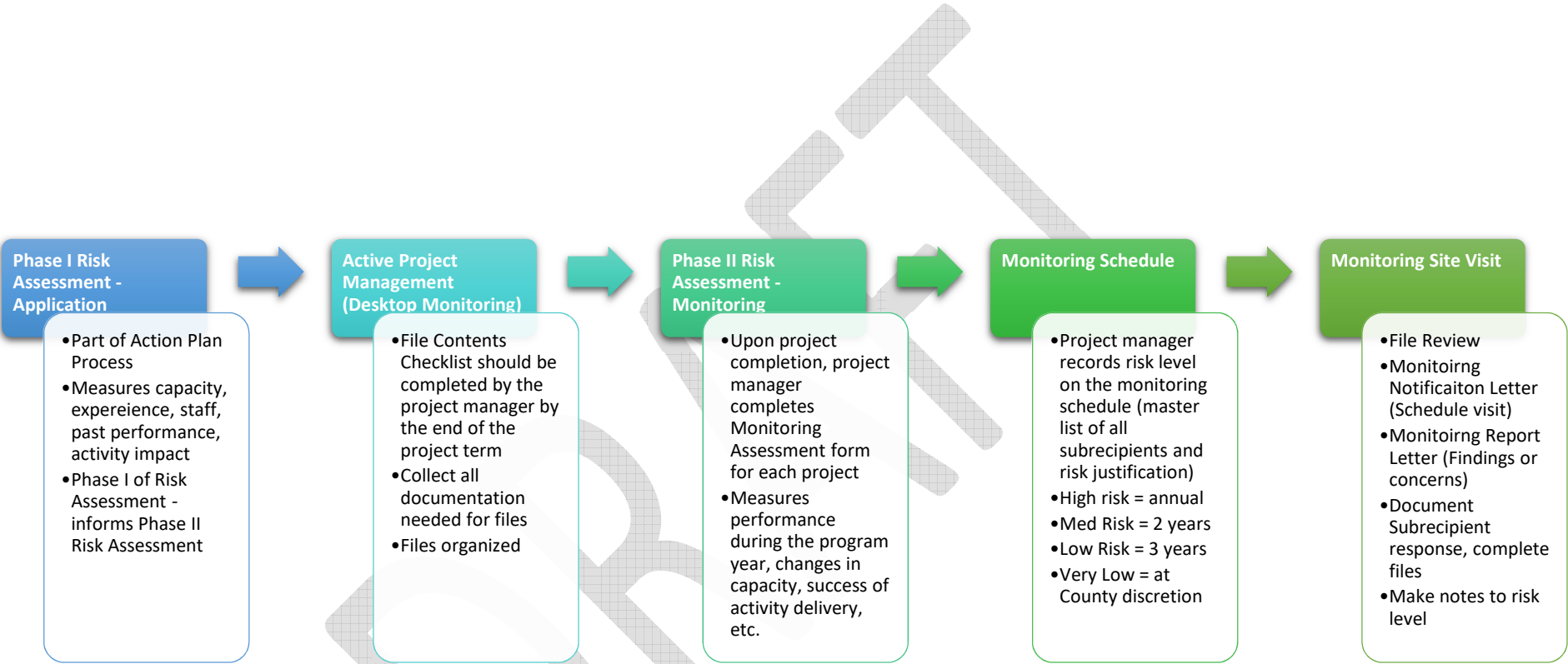
Monitoring Procedures

2018

Purpose for Monitoring

1. To determine if a subrecipient is **carrying out its community development program, and its individual activities**, as described in the application for CDBG assistance and the Subrecipient Agreement.
2. To determine if a subrecipient **is carrying out its activities in a timely manner**, in accordance with the schedule included in the Agreement.
3. To determine if a subrecipient is **charging costs to the project that are eligible** under applicable laws and CDBG regulations, **and reasonable** considering the services or products delivered.
4. To determine if a subrecipient is conducting its activities with adequate control over program and financial performance, and in a way, that **minimizes opportunities for waste, mismanagement, fraud, and abuse**.
5. To assess if the subrecipient has **a continuing capacity to carry out the approved project**, as well as future grant applications.
6. To **identify potential problem areas** and to **assist the subrecipient in complying** with applicable laws and regulations.
7. To assist subrecipients in **resolving compliance problems** through discussion, negotiation, and the provision of technical assistance and training.
8. To **provide adequate follow-up measures** to ensure that performance and compliance deficiencies are corrected by subrecipients, and not repeated.
9. To comply with the **Federal monitoring requirements of 24 CFR 570.501(b) and with 2 CFR 200.328** Monitoring and Reporting Program Performance as applicable.
10. To determine if **any conflicts of interest exist** in the operation of the CDBG program, per 24 CFR 570.611.
11. To ensure that **required records are maintained** to demonstrate compliance with applicable regulation

Monitoring Process



Introduction

As the lead agency for the Urban County, the County is responsible for ensuring that subrecipients of federal grant awards carry out their projects in accordance with statutory and regulatory requirements set by the federal government and the County, through a process referred to as “monitoring.” The monitoring process tracks project effectiveness and efficiency, subrecipient accountability and capacity, and aims to prevent fraud, waste, and abuse of public funds.

Federal and local requirements are set forth in the subrecipient agreement, executed between the County and the subrecipient. The County provides maximum feasible deference of responsibility and authority to subrecipients. Whenever possible, deficiencies in project performance are rectified through constructive discussion, negotiation, and assistance.

The County monitoring process consists of three main components: 1) risk analysis, 2) project management, and 3) completed project monitoring.

❖ **Risk Analysis**

The Risk Analysis is comprised of two risk assessments, which aid County staff in determining appropriate projects to fund in the Action Plan, as well as when to monitor subrecipients. The degree of monitoring required for each subrecipient may be variable, depending on the “Risk Analysis” process and the terms and conditions of each subrecipient agreement.

Phase I Risk Assessment – Application – An Application Risk Assessment is completed at the time of application, or during the development of an annual Action Plan. The Application Risk Assessment measures factors such as subrecipient capacity, experience with federal grants, staff knowledge and availability, record keeping practices, past performance, beneficiaries, and relation to County defined goals and priorities.

Phase II Risk Assessment – Monitoring – The secondary assessment, or Monitoring Risk Assessment, is applied after the project has been completed. The Monitoring Risk Assessment gauges the performance of the subrecipient during the implementation of the project, and considers factors such as whether the subrecipient met reporting requirements accurately, timeliness of project delivery and spend-down, program complexity, potential monitoring findings or concerns, and financial management performance.

A comparison of the Application Risk Assessment and the Monitoring Risk Assessment illustrates the subrecipients capacity and overall progress toward meeting federal and local regulations. Following the Monitoring Risk Assessment, County staff will rank subrecipients and develop a monitoring schedule, where ‘high-risk’ subrecipients will be

monitored annually, and 'low-risk' subrecipients will be monitored every three years. Additional factors to be considered when scheduling monitoring visits include grant award amount; length of time since subrecipient was last monitored; whether the subrecipient had any significant outstanding audit issues; whether the subrecipient had any significant outstanding compliance issues; and the types of subrecipient projects previously monitored.

❖ **Active Project Management (Desktop Monitoring)**

Desktop monitoring is completed off-site by the assigned Project Manager, who is responsible for overseeing the completion of project activities, tracking progress, collecting appropriate documentation and reports, and visiting the site of the activity as needed. This process enables staff to identify problems requiring immediate attention and to schedule projects for on-site monitoring as needed, while ensuring that CDBG regulations and requirements are met.

Active Project desktop monitoring is a process that begins with the execution of NEPA environmental review documents and a subrecipient agreement, and involves maintaining project files, requesting appropriate documentation for both client and activity eligibility, as well as financial records, collecting requests for payment and reports, site visits or on-site meetings as needed, and communicating any additional requirements that must be met (i.e. Davis Bacon and Related Acts, etc).

The '**file contents checklist**' is utilized to ensure that all components of the regulations and requirements are addressed throughout the program year and the subsequent term of the agreement. The number of times a project is monitored depends upon the issues that arise during the Active Project Desktop Monitoring.

Project managers will complete the secondary risk assessment, 'Monitoring Risk Assessment,' once a project has completed the final closeout requirements and update the Monitoring Schedule accordingly (see below for more).

❖ **Completed Project Monitoring (Site Visits)**

Completed Project Monitoring is done by the assigned Project Monitor, and consists of a review of existing files and collected documentation, as well as monitoring site visits of subrecipients.

Monitoring Schedule – *Following the completion of projects*, the monitoring schedule will be updated based on the risk level of the subrecipient following the secondary risk assessment. The monitoring schedule will track subrecipients projects, grant amounts, agreement term, risk level and descriptions, previous monitoring dates, and tentative future monitoring dates.

High level risk subrecipients will be monitored annually. Medium-risk subrecipients shall be monitored every two years. Low-risk subrecipients shall be monitored every three years. Very-low-risk subrecipients shall be monitored at the discretion of the Staff.

File Review – Prior to a scheduled monitoring site visit, the Project Monitor should review the pertinent project file and consult with the Project Manager. A review of project files is required to determine if County staff project managers have fulfilled the responsibilities of documentation and project completion. In preparation for the site visit, the monitor should become familiar with the following:

- Subrecipient's application
- Subrecipient Agreement (including project parameters set in Exhibit A and B)
- Progress Reports
- Payment Requests
- Previous compliance issues
- Audits
- Project file contents checklist (what is missing from the file?)

Monitoring Site Visits – Once the project monitor is familiar with the project, they will contact the subrecipient to determine a date for the site visit by sending the subrecipient a **Monitoring Notification Letter**. The site visit consists of a review of all on site files, client files, and site inspections (as needed). Along with the Monitoring Notification Letter, the project manager will send provide the appropriate monitoring checklist (per the type of project) to the subrecipient prior to the site visit.

During the site visit, the project monitor will hold an entry conference, review files, collect any missing documents, complete inspections, then hold an exit conference. Following the site visit, the project monitor will send a **Monitoring Report Letter**, explaining any findings or concerns that were discovered during the site visit. The subrecipient has 30 days following the receipt of the letter to address any findings. All communications will be documented appropriately in the project file under the monitoring section.

See the Monitoring Checklists at the end of this Monitoring Handbook based on type of project.

Monitoring Completion – Once the Project Monitor has completed the site visit and received a response letter from the subrecipient addressing the findings and concerns in the monitoring report letter, the subrecipient risk level may be adjusted appropriately, however findings, concerns, and responses should be noted for future monitoring reviews.