

Subrecipient Monitoring Process & Procedures

The US Department of Housing and Urban Development requires routine monitoring and documentation of compliance with federal statutes as evaluated by City staff. The timing and frequency of monitoring is determined via a Risk Analysis conducted prior to the recommendation for funding via federal funds to the Housing Commission.

The following parameters define the Subrecipient Monitoring Process for the City of Midland.

1. Subrecipients will be monitored on-site at minimum once every three (3) years,
2. The Community Development Planner will conduct the Risk Analysis annually upon receipt of funding requests.
3. Based upon the outcome of the Risk Analysis, the Community Development Planner will determine the type of monitoring that will be conducted and establish a timeframe for the same.
4. The results of the Risk Analysis are to be provided to the Housing Commission as evidence of compliance alongside the Community Development Planner's recommendation for allocation at the outset of the Program Year.
5. The results of the Risk Analysis and Project Evaluation will be provided to the subrecipient upon request.

On-Site Monitoring Process & Procedures

One month prior to the intended monitoring visit, the Community Development Planner (CDP) will contact the subrecipient to make arrangements. The agency will be informed as to the initial records to be reviewed. These records should be ready for review upon the monitor's arrival and available at the working space set up for the monitor. The process for the monitoring visit is as follows:

1. Entrance Conference: The Community Development Planner will meet with agency director to answer any questions regarding the monitoring process and are introduced to appropriate staff to begin work.
 - a. Meet staff responsible for the intake process, preparation for reports of units of service, and direct service providers.
 - b. Review records selected for monitoring and discuss record keeping methods with staff who maintain them. Copies of certain documents and records may be made for purposes of preparing the report. Records which will be reviewed by the monitor include but are not limited to:
 - i. Units of service reports sent to the City for the period under review.
 - ii. Daily logs, time sheets, or other documents used to derive the number of units reported.
 - iii. A list of client records will be requested after review of the unit tallies. These client records should include eligibility documentation and records of services provided.
2. Review of Records:
 - a. Subrecipients are required to submit the ethnicity and units of service reports on a quarterly basis. The monitor will check the agency records against City records regarding these reports for the following:
 - i. Determine if amounts in agency records reported for each quarter match amounts noted in City records.
 - ii. Determine if reports are presented in a timely manner (by the date specified in the contract).
 - b. Determine if reports are completed in a satisfactory manner.
 - c. Determine if the quantity of units provided is roughly proportionate to the amount of the allocation expended.
 - d. Determine if the agency is significantly behind in the provision of units.
3. The monitor will review documents used by the agency to derive the number of units reported.
 - a. Determine the method used to distinguish CDBG clients from clients not billed to the CDBG contract.
 - b. Determine if this method is usable and satisfactory.
 - c. Determine whether the number of units reported in sample months matches the number in the backup documents.
 - d. Determine if units are in keeping with the contract definition.
 - e. If units are differentiated between types, determine that only units of the types listed in the contract are billed for CDBG clients.

- f. Develop a list of client files to be reviewed from the sample months, listing client number, client name, date of service, number of units served and type of service.
 - g. Present list to staff and allow a reasonable length of time for client files to be pulled for review.
4. The monitor will review client files for:
- a. Documentation of eligibility which is dated within twelve months of the sample service date:
 - i. Documentation of residence within the city limits
 - ii. Documentation of income equal to or lower than 80% of the median income for the Midland area as determined by HUD
 - iii. Presumed Benefit status on the form(s) provided in the contract.
 - b. Documentation of the provision of services which meet the terms of the contract.
 - i. Determine if date of service and type of service provided which was taken from the tally log is also recorded in the client file and appears to be reasonable.
 - ii. Review complete file for each client determining whether services being provided are in accordance with the contract, whether client is in contract's target population (such as client who is documented as homeless being visited at home).
 - iii. Where applicable, determine if client notes are dated, reflect the units provided are signed by the caseworker, complete and informative as to the client's progress.
 - iv. Determine if files are complete and maintained in an orderly fashion.
 - v. Obtain blank copies of intake and other pertinent documents used by agency.
 - c. Documentation of Financial Management Systems
 - i. Records to be reviewed by the monitor may include, but are not limited to:
 - 1. Time and attendance reports (time sheets)
 - a. Payroll register
 - 2. Cash receipts journal
 - 3. Check disbursement journal or check register
 - 4. Bank statements and/or canceled checks
 - 5. General ledgers
 - 6. Invoices and purchase orders
 - 7. Bank reconciliation
 - 8. Any additional item (vouchers, documents, financial reports, records, etc.) needed to verify transactions.
 - 9. Salaries
 - a. Review time and attendance reports for time billed to CDBG and verification of reports by supervisor.
 - b. Check to see if there is a clear audit trail between the time and attendance reports, payroll register, general ledger accounts and Federal and state reports.
 - c. Test computation for gross amounts, deductions, and net payments.
 - d. Verify canceled checks for amounts and endorsements.
 - e. Verify employees' time from time cards to the time reported to CDBG on reimbursement requests.
 - f. Verify that the salary costs requested for reimbursements are allowable under the terms of the contract.
10. Property and Equipment - The monitor will:
- a. Verify invoices and payments.
 - b. Verify purchase of equipment is in agreement with general ledger account and financial reports.
 - c. Ensure that purchased equipment is allowable.
 - d. Verify calculation of depreciation (if applicable).
 - e. Make physical inspection of equipment (if applicable).
 - f. Other Operating Expenses - The monitor will:
 - g. Examine invoices and related canceled checks.
 - h. Review invoices for approvals and account distribution.

- i. Determine if the costs are allowable.
 - j. Verify agency's line item costs to amounts requested for reimbursement.
 - k. Verify that amounts requested for reimbursement agree with posting to general ledger accounts.
 - l. Select insurance invoices to verify that the amounts requested for reimbursement apply only appropriate personnel.
11. Revenue - The monitor will:
- a. Verify amounts disbursed by City to reconcile with funds received by the agency.
 - b. Verify amounts and use of any program income or CHDO proceeds received.
12. Overall Accounting Review - The monitor will:
- a. Review the process used to record the various transactions and determine whether it is effective.
 - b. Review the actual transactions and their supporting documentation, determining eligible reimbursement expenses. In order for an expenditure to be considered eligible for reimbursement, the following requirements must be met:
 - i. The expenditure must be for the current funding period.
 - ii. Must be an expenditure related to CDBG activity.
 - iii. Must be an expenditure permitted by the contract.
 - iv. Review the overall agency performance to determine if it is within compliance according to the contractual terms and conditions.
 - v. Determine if the prior year's monitoring findings have been corrected and are not being repeated.

Throughout the course of the on-site visit, the monitor will observe interactions between staff and clients and the condition of the facility.

- a. The monitor will observe whether the Equal Employment Opportunity placard has been posted as required by law:
 - i. Observe whether official placard has been posted.
 - ii. Determine if it is available for viewing by employees.
 - iii. Determine if it is available for viewing by applicants for employment.

Exit Conference: The monitor will meet with the agency director to discuss results of monitoring. Director may invite staff and/or board members as he/she deems appropriate.

- a. Discuss findings, if any, and methods of correcting each individual deficiency.
- b. Discuss concerns, if any, and methods of correcting concerns.
- c. Discuss any observations made regarding the agency and offer technical assistance where applicable.
- d. Answer any questions agency director or staff may have.

Remote Monitoring

Should the result of the completed Risk Analysis identify a lower risk level; the Community Development Planner will complete remote or desk monitoring of the subrecipient organization. One month prior to the 'due date,' the Community Development Planner (CDP) will contact the subrecipient to make arrangements for the provision of required documentation as referenced above. The agency will be informed as to the records to be reviewed, the method by which documents should be provided and the required date by which they are to be provided.

At the close of the monitor's review of the materials, the Community Development Planner will schedule a conference call with the agency director and program staff to:

- a. Discuss findings, if any, and methods of correcting each individual deficiency.
- b. Discuss concerns, if any, and methods of correcting concerns.
- c. Discuss any observations made regarding the agency and offer technical assistance where applicable.
- d. Answer any questions agency director or staff may have.