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Regulatory Requirements for PJ to Monitor Its Program

2 CFR 200.329

Recipient is responsible for oversight of activities, and must monitor to assure compliance with federal requirements and performance expectations are being achieved

24 CFR 92.504(a)

PJ must have written policies, procedures and systems, including:

- A system for assessing risks of activities and projects, and
- A system for monitoring entities at least annually



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PJ's Responsibility for Monitoring in the HOME Program



Daily operations



Use of funds



Policies and procedures
(including risk-based
monitoring plan) for
ensuring compliance



Provide access &
cooperate with HUD



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Program Monitoring: Beyond the Regulations

- Monitoring is an essential component of good program management to
 - Ensure compliance and
 - Provide feedback on performance

Are we doing things right?

- Document compliance
- Monitor implementation progress & efficiency

Are we doing the right things?

- Evaluate results
- Enhance future program design



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Why Do We Monitor?

PJ

- Ensure compliance with statutory and regulatory intent
- Regulatory obligations
 - Protect funds
 - Ensure statutory intent is met
 - Document activity compliance
 - Avoid repayment
- Additional management uses
 - Track progress/production to ensure timely use of public funds
 - Hold recipients accountable for compliance with requirements
 - Provide feedback to improve program design and management
 - Train staff and program partners

HUD

- Ensure compliance with statutory and regulatory intent
- Affirm sustainability of assisted housing
- Identify potential problems and areas for TA



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What Gets Monitored?

Program Compliance

- Overall program regulatory compliance
- Administrative policies and procedures
- Overall program performance
- Financial systems

Project Compliance

- Project implementation
 - Project selection
 - Acquisition/development
 - Completion/initial occupancy
- Period of affordability
 - Ongoing rental (& TBRA) occupancy
 - Homebuyer occupancy & resales



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How Is Monitoring Done?

- PJ is required to have risk-based monitoring plan
 - Risk factors determine monitoring frequency and method
- Monitoring methods
 - Desk or remote review of reports (e.g., IDIS, progress reports, financial draws)
 - On-site monitoring: usually includes inspections & review of records
 - Required for property standards compliance inspections & ongoing rental compliance
- Items reviewed in monitoring
 - IDIS
 - Policies & procedures
 - Written agreements
 - File documentation
 - Property/project sites/ units



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When Must Activities Be Monitored?

Activity to be monitored	When?
General Program Administration	Ongoing; subrecipients, state recipients, and contractors; at least annually
Projects - during implementation <ul style="list-style-type: none"> • Construction projects - progress & completion inspections • TBRA, Homebuyer, Homeowner rehabilitation 	At least annually <ul style="list-style-type: none"> • Based on project schedule • Ongoing with draw requests
Rental – long term <ul style="list-style-type: none"> • Approval of rents & utility allowances • Rental occupancy report & certification review • Rental onsite monitoring (inspections & files) • Rental financial review (10+ units) 	<ul style="list-style-type: none"> • Annual • Annual • 1st year and at least every 3 years • Annual
Homebuyer – long term <ul style="list-style-type: none"> • Principal residence • Resale/recapture 	<ul style="list-style-type: none"> • PJ determines; recommended annual • On voluntary/involuntary sale or transfer



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Using Monitoring to Improve Program Design

Evaluate the following:



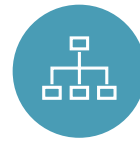
Productivity



Timely implementation



Results and outcomes



Administrative delivery
systems



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PJ Risk-Based Monitoring

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Risk-Based Monitoring Framework

- 92.504(a): PJ must have written policies, procedures & systems, including:
 - A system for assessing risks of activities and projects, and
 - A system for monitoring entities annually
- Risk-based monitoring systems
 - Risk categories & factors
 - System for measuring/weighting/classifying risks
 - Monitoring methods based on risk, e.g.:
 - Low risk = remote review only
 - Moderate risk = “enhanced” remote (desk review plus follow-up)
 - High risk = onsite monitoring & TA
- May be used for pre-award assessment & for ongoing monitoring



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Risk Factors - References

Significant factors for risk assessment from federal standards and guidance

2 CFR 200.332(b)

- Prior experience with similar awards
- Results of previous audits
- New personnel or new/changed systems
- Extent and results of previous monitoring

CPD 14-04

- Risk exposure
- Likelihood that program participant has failed to comply with program requirements
- Participant performed unacceptably

HUD Study

Risk-Based Monitoring of CPD Formula Grants (HUD, 2009)

- Staff capacity
- Program complexity
- Past performance



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Risk Factors to Consider

Program/Project Complexity

- Program/project size & funding
- Other funding sources required to implement
- Audits and prior management findings

Organizational Capacity

- Staff prior experience/skills
- Recent staff turnover/ vacancies or organization & system changes
- Use of partners/team members with prior program experience

Prior/Current Performance

- Prior contract completion on schedule & budget
- Prior contract monitoring findings and resolution
- Application or administrative plan concerns
- Participation in training, briefings, & start-up activities



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Monitoring Procedures

- ✓ Annual monitoring activities schedule
- ✓ Staffing, roles, and responsibilities
- ✓ Procedures for conducting onsite and remote monitoring
- ✓ Categorizing monitoring results
 - Findings and corrective actions; management concerns and response
 - Importance of acknowledging successful compliance
- ✓ Monitoring documentation & forms
 - Letters, monitoring checklists, report formats
- ✓ Communications, TA , follow-up, findings resolution



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HUD Monitoring Handbook



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Monitoring Handbook: Revised HOME Exhibits

- HUD revised the CPD Monitoring Handbook Chapter 7 Monitoring Exhibits in 2019 to:
 - Reflect 2013 Rule changes
 - Streamline the Exhibits to combine program and project requirements (23 exhibits reduced to 13)
 - Separate homebuyer development activity monitoring from DPA
 - Separate rental development activity monitoring from ongoing compliance monitoring
 - Incorporate owner/beneficiary written agreement requirements in project-specific exhibits
 - Add a pre-monitoring checklist to help Field staff prepare for monitoring (Exhibit 7-24)



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CPD Monitoring Handbook

CHAPTER 7: HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)	WORD
Optional Attachments 7-0 (4 files), Exhibits 7-1 through 7-23, and Attachment 7-1 – (REMOVED)	
Exhibit 7-24 - HOME Pre-Monitoring Checklist	WORD
Exhibit 7-25 - Guide for Review of Program Oversight, Financial Management, and Cost Allowability	WORD
Exhibit 7-26 - Guide for Review of Homeowner Rehabilitation Projects and/or Policies & Procedures	WORD
Exhibit 7-27 - Guide for Review of Homebuyer Development and/or Rehabilitation Projects and/or Policies & Procedures	WORD
Exhibit 7-28 - Guide for Review of Homebuyer Downpayment Assistance Projects and/or Policies & Procedures	WORD
Exhibit 7-29 - Guide for Review of Rental Development or Rehabilitation Projects and/or Policies & Procedures	WORD
Exhibit 7-30 - Guide for Review of Rental Project Compliance and/or Policies & Procedures	WORD
Exhibit 7-31 - Guide for Review of Tenant-Based Rental Assistance (TBRA) Projects and/or Policies & Procedures	WORD
Exhibit 7-32 - Guide for Review of Community Housing Development Organization (CHDO) Qualifications, Projects, and/or Policies & Procedures	WORD
Exhibit 7-33 - Guide for Review of Match Requirements	WORD
Exhibit 7-34 - Guide for Review of Contractor Written Agreements	WORD
Exhibit 7-35 - Guide for Review of State Recipient Written Agreements and Oversight	WORD
Exhibit 7-36 - Guide for Review of Subrecipient Written Agreements and Oversight	WORD

https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2

