

**MANAGEMENT OF MONITORING ACTIVITIES**

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**I. PURPOSE**

- This chapter on management of monitoring is applicable to all programs listed in Chapter 2 of this Handbook.

**II. REVIEW OBJECTIVES**

- Monitoring program progress requires an assessment of whether the sub-recipient is carrying out its program in a timely manner. This assessment will be an important element in determining whether the sub-recipient has a continuing capacity to carry out the program in a timely manner.

**III. DEVELOPMENT OF AN ANNUAL MONITORING STRATEGY**

- At the beginning of the fiscal year, The Community and Economic Development Division (CED) Director shall develop a monitoring strategy consistent with the Management Plan which covers all Grant programs and technical areas to be monitored during the year. The purpose of this strategy is to establish a framework for determining the appropriate level of monitoring attention for each DHCD sub-recipient consistent with available resources.

**IV. USE OF RISK ANALYSIS**

- Risk analysis is a method which can be used to establish priorities for monitoring and to determine where resources can be best utilized. Risk analysis can determine which sub-recipients should be monitored, the program areas to be covered, and the depth of the review. The selection process should ensure that those sub-recipients and activities which represent the greatest vulnerability to fraud, waste, and mismanagement are monitored within the resources available. In developing a monitoring strategy, the CED Director shall identify the specific indicators which compose elements of their ranking system implementing risk analysis.

**V. SELECTION OF SUB-RECIPIENTS TO BE MONITORED**

- Consistent with DHCD objectives, sub-recipients should be selected for monitoring within each program and technical area using indicators grouped under four general risk factors of program complexity, sub-recipient capacity, recent problems, and past monitoring. The following examples are illustrative of selection criteria which may be used for each risk factor.

**A. Program complexity**

- 1) Large grant or loan guarantee amount
- 2) Large number of projects
- 3) Economic development activities

- 4) Projects undertaken by sub-recipients
- 5) Large amount of multi-family rehab
- 6) A high percentage of grant funds to CDBG rehab loans and grants

B. Sub-recipient capacity

- 1) Staff turnover
- 2) Inexperienced staff
- 3) Past difficulty in carrying out program
- 4) Lack of progress
- 5) Low productivity
- 6) No previous CDBG, HOME, or ESG experience

C. Recent problems

- 1) Inaccurate or incomplete performance reports
- 2) Audit findings or no audit
- 3) Investigations or citizens complaints
- 4) Failure to meet schedules
- 5) Contract condition
- 6) Issues remaining from previous performance review
- 7) Issues noted in the independent auditors report

D. Past monitoring

- 1) Recurring findings
- 2) Inability to clear findings adequately
- 3) Need to review actions taken to clear previous findings
- 4) Not monitored last year

## **VI. SELECTION OF PROGRAM AREAS TO REVIEW**

- The CED Director shall conduct an analysis to identify the specific program areas for review and the depth of review. In some cases, the risk factors which were used for selection of that sub-recipient for monitoring may also pinpoint areas which need to be reviewed. For example, a sub-recipient that has recurring monitoring findings in financial management should again be reviewed in that specific area.

## VII. HIGH RISK ACTIVITIES

- Certain types of activities by their very nature are considered high risk as indicated below and should be selected as appropriate for monitoring in the applicable program areas:
  - A. For economic development projects, particularly those assisting for-profit businesses or having job creation/retention features or involving floats, it is clearly appropriate to review eligibility including the necessary or appropriate determination, and national objectives.
  - B. All rehabilitation activities including those projects involving lump sum drawdowns should be reviewed for compliance with the lump sum regulations in effect at the time the agreement was signed.
  - C. Activities generating significant amounts of program income should be reviewed in the area of financial management to determine that all income is being recorded and also that income is being used for eligible activities.

## VIII. INTENSITY OF REVIEW

- The intensity of the review may be dictated by the degree of involvement of the sub-recipient in high-risk activities, past monitoring history, or past performance. Sub-recipients with large complicated programs or large numbers of high-risk activities may warrant in-depth monitoring. Sub-recipients that have not been monitored in-depth in the past year or whose capacity has been weakened due to staff turnover, may also be scheduled for more intensive reviews. Intensive/in-depth reviews may require extra days on-site and detailed review of one or more program areas. These reviews may also require more than one visit to the sub-recipient. Where the CED Director feels comfortable that the sub-recipient has corrected past deficiencies, has an acceptable level of performance, or has minor involvement in high-risk activities, a limited review may be appropriate.

## IX. IMPLEMENTATION

- In implementing risk analysis, the CED Director may give factors various weights or count as deemed appropriate. Sub-recipients or projects may be classified as high, medium, or low risk or be ranked on a point system.
  - A. Each program will be analyzed separately. Rank order or batch sub-recipients by program and determine which sub-recipients fall within the staff and resources available for monitoring.

- B. The monitoring review should concentrate on those factors for which the sub-recipient or the activity received its risk rating. The higher the level of risk, the more appropriate is an in-depth review. The quality of monitoring should not be sacrificed in order to monitor greater numbers of sub-recipients or more program areas.
- C. Project Managers should retain written documentation on their system of risk analysis. Sub-recipient/projects not selected for on-site monitoring shall be reviewed in-house through examination of drawdown data, performance reports, etc.

**X. TIMING OF MONITORING VISITS**

- In developing the annual monitoring strategy, the following factors should also be given consideration:
  - A. The scope of services and the progress report should be a primary source of information for selecting activities to be monitored on-site for entitlements and other sub-recipients that are requesting refunding. Where issues have been raised, a monitoring visit should closely follow the scope of services and progress report so that DHCD can identify and advise the sub-recipient of problem situations before they develop into more serious issues.
  - B. To the extent possible, the conduct of monitoring visits in the early stages of a sub-recipient's program year will also assist the sub-recipient in identifying ineligible activities while in the beginning stage.
  - C. Where performance issues are in question and the Annual In-House Review has not taken place as yet, additional on-site monitoring may be helpful. This will facilitate the consideration of a sub-recipient's performance using the latest available data.

**XI. THE ANNUAL SCHEDULE OF ON-SITE VISITS**

- As part of the annual monitoring strategy, the CED Director shall prepare and distribute a schedule of on-site monitoring visits for the fiscal year. This schedule shall cover all programs for which DHCD has monitoring responsibility based on the criteria for selection of sub-recipients in this Handbook and other DHCD guidance. The annual schedule will identify the specific sub-recipients to be monitored on-site for each program and technical area during each quarter, the program areas to be monitored, and the specific sub-recipients to receive an in-depth review. It shall also include the schedule of in-depth review. It shall also include the schedule of in-depth environmental review developed by the Environmental staff and coordinated with the Planning Section.

## XII. PRE-VISIT PREPARATION

Review of Available Data. The Project Manager should review data available within the office in preparation for the visit. The data should be used to observe progress or changes in sub-recipient activity and to identify problems, potential problems, program status and accomplishments. Among the sources of information available for the in-house review are:

- 1) Scope of Services
- 2) Progress Report
- 3) DHCD sub-recipient files, including all correspondence to, from, or concerning the sub-recipient
- 4) Consolidated Annual Performance Evaluation (CAPER)
- 5) Consultation with Miami-Dade Public Housing Agency (MDPHA) and with the Housing Development and Loan Administration Division (HDLAD), where applicable
- 6) Sub-recipient monitoring file including checklists, monitoring letters and letters closing monitoring findings
- 7) Annual In-House Review files
- 8) Audit reports and sub-recipient responses to audit findings; and
- 9) Project Expenditure Report - A62

### D. Sub-recipient Monitoring Strategy

- 1) It is suggested that the Project Manager preparing for an intensive on-site monitoring visit develop a sub-recipient monitoring strategy which establishes the framework for conducting the visit. Input for the strategy should also be provided by the Project Management Supervisor/Manager. It may be useful as well when monitoring sub-recipients to prepare a summary of some of the items listed below. The strategy should include the following:
  - (a) The specific monitoring schedule for all priority and technical monitoring of the sub-recipient and the staff who will be involved
  - (b) The specific issues that will be the focus of monitoring
  - (c) The sample of specific activities and files to be reviewed
  - (d) The technical areas to be monitored; and
  - (e) The staff and time estimated to be assigned to the sub-recipient

- E. Notification to Sub-recipient. Sub-recipients should be given adequate notice in advance of the monitoring visit. It is recommended that written notification be provided to sub-recipients at least one to two weeks prior to the date of the planned on-site monitoring. The sub-recipient should be advised of the areas to be monitored, the names of the DHCD participants, the dates of the visit, who on the sub-recipient's staff should be available, and which files or information will be reviewed. Prior to any planned visit, the specific dates and times for meetings and interviews should be arranged with the sub- recipient.

### **XIII. CONDUCTING A MONITORING VISIT**

- When conducting a monitoring visit, the following steps should be followed:
  - A. Meet with appropriate key representatives of the sub-recipient organization and explain the visit's purpose and schedule
  - B. Review as necessary any appropriate material generated by the sub-recipient which provides more detailed information or information on project descriptions, budget, status, eligibility, national objectives, etc.
  - C. Review pertinent sub-recipient files, where appropriate, for required documentation and verify the accuracy of information provided to DHCD, particularly in the Progress Report
  - D. Interview sub-recipient's staff to discuss the sub-recipient's performance
  - E. Visit project sites for a sample of activities being monitored. Based on the examination of the sub-recipient's files and interviews with sub-recipient staff, the need for visits to other project sites may be indicated; and
  - F. Hold an exit conference or other form of consultation with key representatives of the sub-recipient organization to present preliminary conclusions resulting from the visit to ensure that the conclusions are based on accurate information.

### **XIV. MONITORING REPORTS**

- After consultation with the sub-recipient's key representatives, a monitoring report shall be sent to the Board of Directors reporting the results of the monitoring visit. When the monitoring visit is a team visit, a single monitoring report should be sent. It should be supported by facts stated in the report. Those concurring on monitoring reports should ensure themselves that all finding have been correctly identified and, as such, are based on applicable law or regulation.

A. Draft Monitoring Report. If the review has been extensive or there are findings or concerns of a serious nature, it may be useful to provide the sub-recipient with a draft monitoring report for verification of the information presented, but it is not required. If a draft monitoring report is provided to the sub-recipient, the sub-recipient should be given a specific deadline for reply so that the final monitoring report can be issued in a timely manner.

B. Content of Monitoring Report. The monitoring report to the sub-recipient must include:

- 1) Activity Title, Funding Year, Funding Source (e.g., FY 2010 CDBG)
- 2) DHCD staff who monitored and date(s) of the visit(s)
- 3) Scope of monitoring including all areas monitored (e.g., administrative and financial, program or project), and activities monitored if less than the total program was monitored
- 4) Monitored conclusions (both positive and negative), for each program area monitored and for the program as a whole, supported by the facts considered in reaching the conclusions

Note: Whenever negative conclusions are identified in a monitoring report, they should be clearly labeled as either a, "finding" or as a "concern" in accordance with the definitions of these terms provided in Chapter 1 of this Handbook. Also when appropriate and feasible, findings should be quantified in dollar terms.

- 5) Specific steps the sub-recipient can take on a voluntary basis to resolve each finding and concern and where appropriate, an indication that findings were resolved on-site
- 6) Due date of corrective action for each finding
- 7) The opportunity to contest any finding; and
- 8) If appropriate, an offer of technical assistance or an indication that technical assistance was provided on-site.

C. Tone of Monitoring Report. It is important that the tone of the monitoring report be positive and recognizes those areas in which the sub-recipient is doing a good job or has shown significant improvement as well as areas of deficiency. Deficient performance should also be placed in perspective to the maximum extent possible. The disclosure of major findings and concerns should be accompanied with recommendations or offers of technical assistance directed toward correcting the deficient performance.

D. Findings and Concerns. The monitoring report should particularly highlight any findings and concerns which are likely to result in significant negative consequences if not corrected. It may be appropriate to summarize the major conclusions, both positive and negative, in the body of the report and provide the specific details of the review in an attachment.

E. Corrective Actions

- 1) For those negative monitoring conclusions which are findings, the Project Manager should advise the sub-recipient of steps the sub-recipient can take to resolve the findings. For those negative conclusions, which are concerns, the Project Manager should recommend actions and offer technical assistance. The level of attention given to performance problems should reflect the seriousness of the problem and whether or not corrective action is required.
- 2) Corrective actions should be designed to first prevent a continuance of the deficiency; second, mitigate any adverse effects or consequences of the deficiency to the extent possible under the circumstances and, third, prevent a recurrence of the same or similar deficiency. Keep in mind that there may be a number of acceptable solutions to resolving a deficiency, and the sub-recipient should be allowed to respond to each problem with any reasonable solution of its choice.

F. Required Concurrences

- 1) When the Project Manager prepares monitoring reports to sub-recipients, the concurrence of the Office of the County Attorney shall be requested in the following circumstances:
  - (1) When serious corrective action is required
  - (2) When potential litigation is indicated; and
  - (3) When litigation has begun.

G. Timing. Follow-up should occur as early as possible, particularly if there are major findings. In no case should the time between the last day of the visit and the date of the report exceed 30 calendar days.

H. Documentation. On-site monitoring should be well documented. The monitoring report should be supported by any working papers, including any checklist used in the monitoring visit. All correspondence and working papers relating to monitoring visits and conclusions must be in the sub-recipient file.

## **XV. FOLLOW-UP ACTION**

- A. In the event that the sub-recipient fails to meet a target date for corrective action, a telephone call is appropriate and shall be documented.
- B. If the sub-recipient has not responded within 30 calendar days after the date the sub-recipient was advised to take corrective action, a letter shall be sent requesting the status of the corrective action and warning the sub-recipient of the possible consequences of failure to comply under applicable regulations.
- C. When the sub-recipient's response has been received, the corrective action proposed or taken shall be reviewed by appropriate staff. The reviews should be completed within 15 calendar days. If the reviews indicate that the action was less than satisfactory, a letter shall be sent to the sub-recipient which specifies additional action needed and the due date. The letter shall have the concurrence of the director of the Department of Housing and Community Development (DHCD).
- D. A new due date may be established subject to good faith efforts by the sub-recipient to resolve the finding. A follow-up visit may be necessary to verify corrective action or to provide technical assistance when the sub-recipient has been unable to resolve or correct the finding.

## **XVI. CLOSING MONITORING FINDINGS**

- When the CED files indicate the sub-recipient has provided satisfactory corrective action, a letter shall be sent to the sub-recipient's Board of Directors stating that the finding(s) is (are) closed.