

# *Managing CDBG Subrecipients:*

*Managing an effective community  
development program*

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# *Managing CDBG Subrecipients:*

*Managing an effective community development  
program*

## Session 6



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## QUESTIONS

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### Leftover questions from Session 5?



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## Homework Assignment Five

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1. You have an activity that triggers FFATA. Who is responsible for reporting?
  - a) The subrecipient
  - b) Your HUD CPD field office
  - c) The FSRS will pick up all required data points from IDIS
  - d) The Prime Awardee



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## Homework Assignment Five

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## Homework Assignment Five

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2. How will the HUD monitor probably expect you to document your activity's National Objective?
  - a) The PR03 page for the activity
  - b) A piece of paper certifying the activity meets a National Objective
  - c) The Subrecipient Agreement
  - d) The Pre-Award Assessment

## Homework Assignment Five

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## Homework Assignment Five

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3. Why should the grantee hang on to rejected applications and associated correspondence?
  - a) You can never have enough paper sitting around the office.
  - b) In case you have funding availability open up mid-year.
  - c) In case the agency complains to HUD that its activity was unfairly rejected.
  - d) Because it's in the rules. See §200.492.

## Homework Assignment Five

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## Homework Assignment Five

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4. HUD doesn't care one way or the other whether you provide technical assistance to subrecipients.
- a) True
  - b) False

## Homework Assignment Five

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## Homework Assignment Five

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5. Most public service activities will require an extensive Environmental Review Record, so plan accordingly.
- a) True
  - b) False

## Homework Assignment Five

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## Homework Assignment Five

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6. By rule a subrecipient must have written standards and policies covering Conflict of Interest, including provisions for non-compliance.
- a) True
  - b) False

## Homework Assignment Five

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## Homework Assignment Five

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7. A subrecipient informs you that it will not be providing you a copy of its current board roster because several members prefer to remain anonymous. What are you going to do about it?
- a) Suspend payment until a current board roster is supplied.
  - b) Terminate the Subrecipient Agreement for cause immediately.
  - c) Call the IRS
  - d) Any of the above could work. What does the Subrecipient Agreement say about non-compliance?



## Homework Assignment Five

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## Homework Assignment Five

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8. Which of the following should probably not be in any of your subrecipient activity files?
- a) A current income chart.
  - b) A client's medical information
  - c) Copies of email correspondence
  - d) A spread sheet showing dates on which technical assistance was provided and the topic(s) covered.

## Homework Assignment Five

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## Homework Assignment Five

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9. Which of the following is not one of the Performance Objective options provided in IDIS?
- a) Providing an increased level of service
  - b) Creating economic opportunities
  - c) Providing decent housing
  - d) Creating a suitable living environment

## Homework Assignment Five

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## Homework Assignment Five

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10. Which of the following is not one of the Performance Outcome options provided in IDIS?

- a) Improving availability or accessibility of units or services
- b) Improving sustainability by promoting viable communities
- c) Improving affordability of housing or services
- d) Improving transparency of funding opportunities

## Homework Assignment Five

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## Tracking Subrecipients

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## Tracking Subrecipients

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The Grantee has

- ✓ Selected its subrecipients;
- ✓ Trained them;
- ✓ Signed the subrecipient agreement;
- ✓ Begun an activity case file; and
- ✓ Set up the activity in IDIS.

What next?



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## Tracking Subrecipients

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The Super Circular (§200.332(d)) requires the recipient to “monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; ...”



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## Tracking Subrecipients

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Two components to the monitoring mandate:

1. The formal process established in the jurisdiction's monitoring plan involving an on-site visit or desk review;
2. The jurisdiction's day-to-day management of the subaward.



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## Tracking Subrecipients

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On a day-to-day basis, what should the grantee be looking for?

“The majority of difficulties experienced by subrecipients lay in the area of financial management, administrative systems, documentation and record keeping.”

*Playing By the Rules*



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## Tracking Subrecipients

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Day-to-day oversight does not mean keeping office hours with the subrecipient.

Day-to-day oversight does mean paying close attention to details like making sure files are set up correctly, payment requests are in order and reports submitted on time and with correct data.

## Tracking Subrecipients

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The grantee must provide the subrecipient guidance in building an activity file that addresses

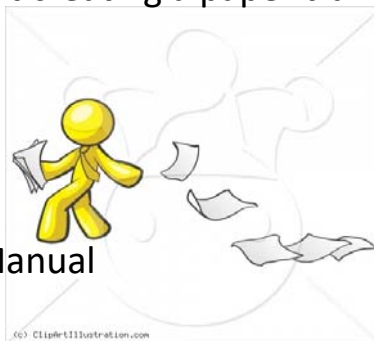
- Administrative systems;
- Financial management;
- Documentation and record keeping;
- Areas of potential difficulty identified during the pre-award assessment;
- Areas of potential difficulty identified during the tracking process.

## Tracking Subrecipients

Good documentation is about creating a paper trail.

The Subrecipient needs to maintain – at a minimum –

- A CDBG Activity File
- A Policies & Procedures Manual

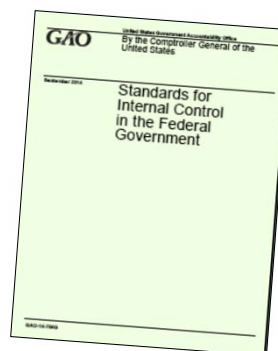


## Tracking Subrecipients

The Green Book defines the standards for internal control for the Federal government.

“Non-federal entities may use the Green Book to design, implement, and operate an internal control system.”

*The Green Book (p. 7)*





## Tracking Subrecipients

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What should be in the subrecipient's Policies & Procedures Manual?

- |   |   |
|---|---|
| <input type="checkbox"/> Non-Discrimination<br>[§570.602 & 618]           | <input type="checkbox"/> Confidentiality [§200.303(e)]            |
| <input type="checkbox"/> Code of Ethics [Principle 1]                     | <input type="checkbox"/> Record Retention [§570.506]              |
| <input type="checkbox"/> Conflict of Interest<br>[§200.318 & §570.611]    | <input type="checkbox"/> Information Technology<br>[Principle 11] |
| <input type="checkbox"/> Procurement<br>[§200.318(a)]                     | <input type="checkbox"/> Whistleblower [Principle 14]             |
| <input type="checkbox"/> Grievance (Staff and<br>Clients) [§570.607(a)]   | <input type="checkbox"/> Monitoring [§200.329]                    |
| <input type="checkbox"/> Termination (Staff and<br>Clients) [§570.607(a)] | If Housing Activities Involved:                                   |
|   | <input type="checkbox"/> Fair Housing [§570.611]                  |
|   | <input type="checkbox"/> Lead-Based Paint<br>[§570.608]           |

## Tracking Subrecipients

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### §200.1 Internal controls.

Internal controls means a process, implemented by a **non-Federal entity**, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) Effectiveness and efficiency of operations;
- (b) Reliability of reporting for internal and external use; and
- (c) Compliance with applicable laws and regulations.

## Tracking Subrecipients

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Which "... statutes, regulations and the terms and conditions of Federal awards..." ?

- The HUD rule governing the specific award provides guidance (e.g. 24 CFR 570 Subpart K lists all the statutes, rules and Executive Orders incorporated into the CDBG rule by reference.)

## Tracking Subrecipients

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"The objective of internal controls is to minimize risk for asset loss and provide for the conducting of operations in an efficient and orderly manner through **policies, procedures,** segregation of activities and other activities."

## Tracking Subrecipients

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How does the Subrecipient document its Procedures?

- Board Handbook
- Organizational Chart
- Job Descriptions
- Job Evaluation Tool
- Performance Reports
- Procedure Flow Charts
- Certification(s) of Policy Compliance

## Tracking Subrecipients

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The Super Circular's confidentiality requirement:

(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or the non-federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

## Tracking Subrecipients

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The confidentiality requirement applies to both the grantee and subrecipients.

Is the process in writing?

Is the process followed?



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## Tracking Subrecipients

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Do you want subrecipient client Social Security numbers in your files?

Are there other data points best left in the subrecipient's files?



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## Tracking Subrecipients

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An Internal Controls Checklist developed using the five components and the 17 principles will satisfy the requirements of §200.303(a) **and** §200.303(b)(c)(d) and (e), as well.

## Tracking Subrecipients

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There is a reason HUD is very interested in policies and procedures.

b. What is the program participant's system(s) or procedure(s) for ensuring that CDBG funds are used in accordance with program requirements?

*[24 CFR 570.501(b); 2 CFR Part 200.303]*

Describe Basis for Conclusion:

*Source: CPD Monitoring Handbook 6509.2 REV-7*

## Tracking Subrecipients

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What should be in the subrecipient's activity file?

➤ Start with the basics:

- National Objective Documentation  
[§570.200(a)(2)] – Supplied by grantee
- Environmental Review Record [§58.34(a)] –  
Supplied by grantee
- Subrecipient Agreement [§570. 503(a)]
  - Amendment(s) to the Subrecipient Agreement

## Tracking Subrecipients

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### Administrative Systems

- Articles of Incorporation/Bylaws
- IRS 501(c)3 letter
- Most recent Form 990 or Form 990-N
- Board of Directors Roster
- Authorization to request funds
- Self-monitoring schedule and reports
- Succession Plan
- Contingency Plans

## Tracking Subrecipients

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Never forget:

The second the subrecipient agreement is fully executed, the subrecipient becomes a non-federal entity subject to the same stipulations of 2 CFR 200 as the grantee.



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## Tracking Subrecipients

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### Financial Management Systems

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li><input type="checkbox"/> Most recent Audit (if federal expenditures exceed \$750,000) [<i>§200.501</i>]</li> <li><input type="checkbox"/> Statement from CPA if federal expenditures do not exceed \$750,000</li> <li><input type="checkbox"/> Current Approved Budget</li> <li><input type="checkbox"/> Financial Status Report</li> <li><input type="checkbox"/> Chart of Accounts</li> <li><input type="checkbox"/> Documentation of Match (if required)</li> <li><input type="checkbox"/> Documentation of negotiated indirect cost rate (if applicable)</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> Program Income Tracking ledger (if applicable)</li> </ul> <p><b>Reimbursement</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Payroll records – timesheets, salary schedule (if applicable)</li> <li><input type="checkbox"/> Payment Requests</li> <li><input type="checkbox"/> Source documentation</li> <li><input type="checkbox"/> Backup Documentation</li> </ul> <p><b>Advance</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Documentation supporting compliance with §200.305(b)(1) &amp; (b)(2)</li> </ul> |
|--|---|



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## Tracking Subrecipients

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Why a Chart of Accounts? HUD will be asking.

- The subrecipient must segregate Federal funds from other sources of revenue.
  - §200.303(b)(3) requires records that “adequately” identify the source of all Federal funds – and how they are spent – supported by source documentation.
    - Adequate identification would include the CFDA number for each Federally-funded subaward.



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## Tracking Subrecipients

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### Client Documentation

- Dated HUD-Approved Income Chart(s) – Supplied by Grantee
- Client Intake Forms
  - Number of persons assisted (for non-housing activities)
    - Income
    - Race
    - Ethnicity
  - Number of households assisted (for housing activities)
    - Income
    - Race
    - Ethnicity
    - Female Head of Household



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## Tracking Subrecipients

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- Client Documentation must meet one of four tests:
  - A. Clients presumed LMI;
  - B. Document LMI family size and income;
  - C. Income eligibility requirements for activity limited to LMI; or
  - D. Nature and location of activity.

## Tracking Subrecipients

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### **PRESUMED BENEFIT TEST**

*[\$570.208(a)(2)(i)(A)]*

- Abused children
- Victims of domestic abuse
- Elderly persons
- Severely disabled adults
- Homeless persons
- Illiterate adults
- Persons with AIDS
- Migrant farm workers

## Tracking Subrecipients

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Even with Presumed Benefit Activities, HUD requires income and demographic data be entered in IDIS.



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## Tracking Subrecipients

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### DOCUMENTING LIMITED CLIENTELE BENEFIT

For persons in this group	Use this income level to report them in IDIS
Abused Children	Extremely low income
Victims of domestic violence	Low income
Severely disabled adults	Low income
Homeless persons	Extremely low income
Illiterate adults	Low income
Persons with AIDS	Low income
Migrant farm workers	Low income



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## Tracking Subrecipients

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### Report Presumed Benefit Elderly as:

- **Moderate income** for center-based services or in connection with acquisition, construction, conversion and/or rehabilitation of a senior center
- **Low income** for non-center-based services

## Tracking Subrecipients

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Severely Disabled individuals receiving services are counted as low income unless there is specific data supporting reporting them under another category.

## Tracking Subrecipients

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For the purposes of the CDBG presumed benefit, “homeless persons” includes persons who are chronically homeless (persons with a disability and who have been homeless for at least 12 months), people living in shelters or on the street, and victims of domestic violence.



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## Tracking Subrecipients

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While §570.208(a)(2) uses the term “battered spouses,” HUD interprets the term broadly to include all victims of domestic violence



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## Tracking Subrecipients

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### **FAMILY INCOME TEST**

*[\\$570.208(a)(2)(i)(A)]*

#### **ANNUAL INCOME – Two Ways to Determine:**

1. Section 8 (See §5.609)
  2. IRS adjusted gross
    - Use the CPD income calculator
      - <https://www.hudexchange.info/incomecalculator/>
- Use Family Income data to document at least 51% of clients served are LMI.

## Tracking Subrecipients

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### **INCOME ELIGIBILITY REQUIREMENT TEST**

*[\\$570.208(a)(2)(i)(C)]*

Activity limited to low- and moderate-income clients exclusively.

## Tracking Subrecipients

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### **NATURE AND LOCATION TEST**

*[\$570.208(a)(2)(i)(D)]*

“Be of such nature and be in such location that it may be concluded that the activity’s clientele will be primarily be low- and moderate-income persons.”



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## Tracking Subrecipients

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How well is the Subrecipient documenting income?

What is the Grantee’s local policy for allowing self-certification of income?

If self-certification allowed, how often is the subrecipient using it?



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## Tracking Subrecipients

SPO # \_\_\_\_\_  
 CPO # \_\_\_\_\_  
 Organization Name: \_\_\_\_\_ Reporting Period: \_\_\_\_\_  
 Proj. Mgr. Name: \_\_\_\_\_ IDIS#: \_\_\_\_\_  
 Project Name: \_\_\_\_\_ Public Service:  Homeless Rptlc  
 Service: \_\_\_\_\_  
 National Objective: LMC  LMA  (if LMA indicate project Census tracts): \_\_\_\_\_

# Race	# Hispanic	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
White													
Black/African American													
Asian													
Am. Indian/Alaskan Native													
Native Hawaiian/Other Pacific Islander													
Am. Indian/Alaskan Native/White													
Asian & White													
Black/African American & White													
American Indian/Alaskan Native &													
Black/African American													
Other Multi-Racial													
Total	0	0	0	0	0	0	0	0	0	0	0	0	0

Extremely Low  
 Low  
 Low/Moderate  
 Non-Low/Moderate  
 Total

Accomplishment Narrative: \_\_\_\_\_

Of the persons assisted, enter the number that:  
 With New or Continuing Access to a Service or Benefit  
 With Improved Access to a Service or Benefit  
 Receive a Service or Benefit that is No Longer Substandard  
 Total: 0



## Tracking Subrecipients

What data are you trying to capture?

SPO # \_\_\_\_\_  
 CPO # \_\_\_\_\_  
 Organization Name: \_\_\_\_\_ Reporting Period: \_\_\_\_\_  
 Proj. Mgr. Name: \_\_\_\_\_ IDIS#: \_\_\_\_\_  
 Project Name: \_\_\_\_\_ Public Service:  Homeless Rptlc  
 Service: \_\_\_\_\_  
 National Objective: LMC  LMA  (if LMA indicate project Census tracts): \_\_\_\_\_

**↑** **↑**



## Tracking Subrecipients

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What data are you trying to capture?

	# Race	# Hispanic
White		
Black/African American		
Asian		
Am. Indian/Alaskan Native		
Native Hawaiian/Other Pacific Islander		
Am. Indian/Alaskan Native/White		
Asian & White		
Black/African American & White		
American Indian/Alaskan Native & Black/African American		
Other Multi-Racial		
<b>Total</b>	<b>0</b>	<b>0</b>



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## Tracking Subrecipients

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What data are you trying to capture?

Extremely Low	
Low	
Low/Moderate	
Non-Low/Moderate	
<b>Total</b>	



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## Tracking Subrecipients

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What data are you trying to capture?

Of the persons assisted, enter the number that:	
With New or Continuing Access to a Service or Benefit	
With Improved Access to a Service or Benefit	
Receive a Service or Benefit that is No Longer Substandard	
Total:	0

## Tracking Subrecipients

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### Reporting

- Reports  \_\_\_\_\_  Semi-Annual  \_\_\_\_\_  Year-End
- Technical Assistance Provided [*§200.332(e)(1)*]
- Date, names, nature of training provided
- Monitoring Report(s)
- Correspondence

## Tracking Subrecipients

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Good reporting is essential to effective day-to-day management of subrecipients.

The HUD monitor will ask the grantee if it requires subrecipients to submit reports. How often reports are to be submitted is left up to the grantee.

How often is enough?



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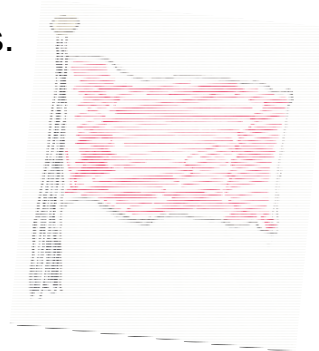
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## Tracking Subrecipients

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How much day-to-day oversight do subrecipients need?

Subrecipients send signals.



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## Tracking Subrecipients

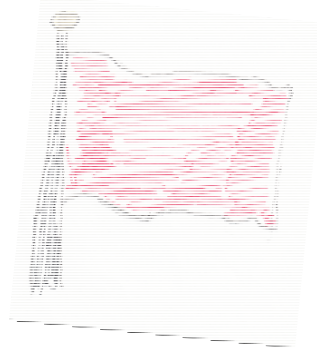
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- Are invoices submitted in a timely fashion and appropriately documented?
- Are the expenses submitted for payment reasonable?
- Are the expenses submitted for payment eligible?
- Are the results being reported in line with the goals and objectives?

## Tracking Subrecipients

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Any one of these – and more – can be signals that more supervision is needed.



## Tracking Subrecipients

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A grantee has an issue:

“We are having a difficult time with subrecipients not submitting the proper documentation that goes with the amount of money requested for reimbursement of CDBG funds.

We are especially seeing this with our Capital projects. For example, not submitting certified payroll, submitting a one page invoice with \$600,000 worth of expenses, but not detailed breakout or invoices from sub-contractors, no receipts, etc.”



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## Tracking Subrecipients

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“We have sent them the regulations showing why the documentation is necessary, we have given them examples of other requests, but yet we cannot seem to get through.”



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## Tracking Subrecipients

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### Polling Question 6-1



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## Tracking Subrecipients

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### Polling Question 6-1 Answer

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## Tracking Subrecipients

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### Remedies for Noncompliance [*§200.339*]

#### Options:

- a. Temporarily withhold cash payments until situation corrected
- b. Disallow all or part of the invoice
- c. Wholly or partly suspend or terminate the subaward
- d. Recommend to HUD suspension or debarment
- e. Decline to make any further subawards
- f. Consult your legal department for other remedies

## Tracking Subrecipients

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### ➤ Termination? Follow these steps [*§200.341*]...

- a) Provide subrecipient notice of termination
- b) Inform subrecipient termination could be a factor in considering future applications
- c) Post notice of action to Federal Award Reporting System (FARS) as required by FFATA
  - FFATA – Federal Funding Accountability and Transparency Act

## Tracking Subrecipients

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## Tracking Subrecipients

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- Both 24 CFR 570 and 2 CFR 200 address **Closeout**.
  - §570.509 governs the grant closeout relationship between HUD and the grantee.
  - §200.344 governs the grant closeout relationship between the grantee and subrecipient.

## Tracking Subrecipients

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### §200.344 Closeout

The Federal agency or pass-through entity will close-out the Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed by the non-Federal entity.



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## Tracking Subrecipients

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The Grantee initiates the process when the activity is complete – for a public service activity, that is the end date specified in the Subrecipient Agreement; the final report submitted and accepted; and all the bills associated with the activity have been paid – and drawn down through IDIS.



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## Tracking Subrecipients

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### **Subrecipient's §200 Closeout Responsibilities**

Within 90 calendar days after the end date of the activity, Subrecipient must:

- Submit all reports and records required by terms of the Subrecipient Agreement;
- Liquidate all obligations incurred in connection with the subaward;
- Refund any Federal fund balances remaining if the pass-through entity advanced cash for the activity; and
- Account for any real or personal property acquired with subaward funds.



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## Tracking Subrecipients

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### **Grantee's §200 Closeout Responsibilities**

The grantee must

- Make prompt payments to the subrecipient for allowable reimbursable costs;
- Must make a settlement for any upward or downward adjustments to the Federal (CDBG for our current purposes) after closeout reports are received; and
- Should complete all closeout actions no later than one year after receipt and acceptance of all required final reports.



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## Tracking Subrecipients

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- **Reminder** – The CAPER is due 90 days after the end of the Program Year.
  - Consider adding a stipulation to the Subrecipient Agreement requiring the submission of reports needed to close the activity in IDIS and complete the CAPER on a shorter timeline.

## Tracking Subrecipients

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When submitting its final invoice, the subrecipient must also comply with §200.415(a).

## Tracking Subrecipients

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### **§200.415 Required certifications.**

Required certifications include:

(a) To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal entity, which reads as follows)."

## Tracking Subrecipients

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"By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812)."

## Tracking Subrecipients

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Before officially closing out the activity, accomplishment data has to be entered in IDIS.



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## Tracking Subrecipients

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Even after closeout, subrecipients have on-going responsibilities:

- Record retention;
- The obligation to open the files and their books;
- Any audit requirements that may pertain; and
- To return Federal funds if the grantee disallows costs or if CDBG funds are found to have been used for ineligible expenses.



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## Tracking Subrecipients

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### Polling Question 6-2



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## Tracking Subrecipients

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### Polling Question 6-2 Answers

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## HOMEWORK

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Find Exercise 6 in your download package.

There are 10 questions based on our discussion of Tracking Subrecipients

Four choices for each question; pick the response that best answers the question.

Use any of the resource materials provided in your download package... including the list of links.

At the beginning of the next session we will discuss.

## Session 7

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For Session 7, you will need to download or have available:

- Slides
- Polling Questions for Session 7
- Homework – Exercise 7
- Risk Analysis Template

## MORE QUESTIONS?

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If you have any questions between the end of today's session and our next session, send me an email:

[johnallow@bellsouth.net](mailto:johnallow@bellsouth.net)



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