CDBG Disaster Recovery

KEYS TO EFFECTIVE GRANT ADMINISTRATION
Who Is This Guy?

- Provided direct assistance in setup of Texas (2008) and New Jersey (Sandy) disaster recovery efforts
- Led or Participated in Over 40 Monitoring Visits
- Issued over 20 Findings, approximately 50 Concerns, and 4 Best Practices
- Authored the State CDBG Admin Proposed Rule and co-authored several Federal Register Notices
- Hates Pandas
CDBG Disaster Recovery

• 4 Keys to Effective Grant Administration
  – Assessing Capacity of Your Organization and Your Partners’ Capacity
  – Partnering with Competent Subs/Contractors
  – Consistent Monitoring
  – Sound Financial Controls and Procedures

Remember: Any Practitioner Can Succeed!!*

*Disclaimer: Actual Results May Vary.
Capacity
Assessing Capacity

- Grant Management History
  - Monitoring Reports
  - OIG Audits
  - A-133 Single Audit Reports

- Staffing
  - New or Experienced?
  - High Turnover?
Assessing Capacity

• Financial and Tracking Systems

• Contractor Oversight

• Final Assessment—Hire Internally or Contract Out?
Partnering: Pick Your Poison

• What is a Subrecipient?
  ▪ Public or private nonprofit agency, authority or organization, or community-based development organization, receiving CDBG funds from the recipient to undertake CDBG eligible activities (see 24 CFR 570.500(c))

RULE OF THUMB

The procurement process is more rigorous for CONTRACTORS, while the administrative and monitoring requirements are greater for SUBRECIPIENTS.
## Partnering

### Subrecipient

<table>
<thead>
<tr>
<th>Selection</th>
<th>Contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Designated by the grantee.</td>
</tr>
<tr>
<td>Monitoring &amp; Performance</td>
<td>• Must be selected through a competitive procurement process.</td>
</tr>
<tr>
<td></td>
<td>• Federal administrative and monitoring requirements</td>
</tr>
<tr>
<td></td>
<td>• States: 24 CFR 570.492</td>
</tr>
<tr>
<td></td>
<td>• Entitlements: 24 CFR Part 85 &amp; 85</td>
</tr>
<tr>
<td>Cross-Cutting Requirements</td>
<td>• Must achieve performance goals identified in the contract.</td>
</tr>
<tr>
<td></td>
<td>• Subject to Requirements</td>
</tr>
<tr>
<td></td>
<td>• Subject to Requirements</td>
</tr>
</tbody>
</table>
MONITORING
Meat & Potatoes

- Eligibility of activities and beneficiaries
- National Objectives
- Tie to Disaster
- Prevention of duplication of benefits from FEMA, SBA, Insurance, and other sources
What HUD Looks For When Monitoring...

- **Record Keeping**
  - States:
    - 24 CFR 570.490
  - Entitlements:
    - 24 CFR 570.506

- **Audits**
  - States:
    - 24 CFR 570.492
  - Entitlements:
    - 24 CFR 570.501

- **Notice Requirements**
  - Examples:
    - Procurement
    - Infrastructure
    - Affordable Rental

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**COMPLIANCE**
The Five Habits of Highly Effective Subrecipient Monitoring™

Risk Assessment

Frequency

Thoroughness

Evidence to Support Conclusions

Tracking Method
Risk Assessment Factors

Financial Management

• Size of Grant
• Meeting Overall Benefit
• Under Public Service Cap
• Generating Program Income
• Use of Revolving Loan Funds
Risk Assessment Factors

Management

- Staff Turnover
- Open Findings (HUD and OIG)
- Use of Subrecipients
- Timeliness of Expenditure
Risk Assessment Factors

Satisfaction
(Citizen Complaints)

Services

Cross-Cutting Issues, Complexity of Programs
## Rating and Ranking

### 1. Rate Each Subrecipient / Subgrantee

**CITY OF ALTO**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Maximum Score</th>
<th>Points Assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial</td>
<td>47</td>
<td>16</td>
</tr>
<tr>
<td>2. Management</td>
<td>34</td>
<td>15</td>
</tr>
<tr>
<td>3. Satisfaction</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>4. Services</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100</strong></td>
<td><strong>39</strong></td>
</tr>
</tbody>
</table>
2. Rank Subrecipients by Risk Level

<table>
<thead>
<tr>
<th>Grantee</th>
<th>Total Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alto</td>
<td>39</td>
<td>3</td>
</tr>
<tr>
<td>Wells</td>
<td>67</td>
<td>1</td>
</tr>
<tr>
<td>Lufkin</td>
<td>55</td>
<td>2</td>
</tr>
</tbody>
</table>

3. Use Ranking to Develop Monitoring Schedule
Sanctions

• States: 24 CFR 570.495
• Entitlements: 24 CFR 570.910
• May Include (not exhaustive list):
  – Advise the Grantee not to do it again
  – Advise grantee to suspend or terminate payment
  – Make Grantee repay funds out of general revenue
  – It only gets worse...
HUD encourages grantees to review the CPD Monitoring Handbook posted on HUD’s website to understand what HUD reviews during grantee monitoring visits.

AND MORE!!!!!!

Preparing for HUD...

- Pre-Monitoring
- Uniform Recordkeeping System and Files
- Send a (knowledgeable) representative from the lead agency
- Make Us a Partner, Not an Adversary
- Debate Us in Our Language, Not Yours
- Don’t take it personally
Questions?