

CHAPTER 2. COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT
PROGRAM/SECTION 108 LOAN GUARANTEE PROGRAM

Section 1. CDBG Entitlement Program

2-1 General Instructions. Review a sample of several grantees including at least one grantee from each program team. Within each program team, review grantees assigned to different CPD Representatives and obtain files pertaining to monitoring, Grantee Performance Reports (GPR), Housing Assistance Plans (HAP), Comprehensive Housing Affordability Strategy (CHAS), audits, annual in-house summaries, final statements and any complaints or litigation. Selecting files from the current and previous year will generally cover an adequate amount of activity.

Prior to performing the Field Office evaluation, analyze the following areas in-house, using the FORMS/CPD system or other available data:

A. Final Statements

1. Determine whether Final Statements were submitted 30 days prior to program year commencement. For those that were not, the Field Office should be maintaining proper file documentation for those not submitted in a timely manner. Identify any exceptions.
2. Determine whether grants were awarded by program year commencement. Identify any exceptions.

B. Line of Credit Control System - Voice Response System (LOCCS-VRS)

1. Develop a list of grantees in the Field Office with more than three years of CDBG funds in their Line of Credit.

2-2 File Review. Review the files to determine whether the office is ensuring that the following procedural and substantive requirements of the Entitlement Program are being met.

A. Grantee Performance Reports (GPR)

1. Determine whether GPRs were submitted within 90 days of the end of the program year, or, if

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not, whether appropriate corrective actions were pursued.

2. a. Are grantees completing the GPRs in accordance with instructions provided in the GPR Handbook 6510.2 , REV-1 (including subsequent handbook changes)? What deficiencies are apparent? What could be done to correct them?
- b. How many grantees are using AMRS? _____
- c. What problems have they had with AMRS?
3. Check whether review checklists are being used and documentation is sufficient: (a) to determine that all required areas were reviewed, (b) to justify areas of concern found by the reviewers, and (c) to ensure that sufficient information is available to support conclusions.
4. Identify any suggestions staff have for improving the GPR review checklist.
5. Review the process for checking activities for compliance with eligibility and national objectives requirements to determine whether it is likely that activities not in compliance will be picked up as a result of the process.
6. Determine whether GPRs were reviewed for completeness and substance within 90 days of submission. If a GPR review took more than 90 days, identify the factors involved. Was an interim letter sent at the expiration of the 90 day review period? For those questionable areas not resolvable by phone, was a written request sent to grantees, including a date by which information must be received for consideration in the GPR review process?
7. Were letters indicating the results of the GPR reviews sent to grantees immediately following the substantive review?
8. Has there been adequate follow-up to resolve deficiencies or questionable areas? What process is used?

9. What evidence is there that GPR reviews properly influence on-site monitoring?
10. In comparing the sample of GPRs reviewed with GPR letters, FORMS/CPD, and finding summary sheets, were findings made in all cases:
 - _____ when the GPR showed a clear regulatory violation?
 - _____ when grantees failed to submit a complete GPR on time or to supply requested information within a given time despite having reasonable opportunities to respond?

B. Annual In-House Reviews

1. Determine whether reviews covering all the required areas are completed 60 to 75 days prior to the end of the program year using HUD Form 40013.
2. Check that timely and appropriate action has been taken on all areas where deficiencies have been identified, including notifying grantees and forwarding recommendations to the Regional Office and Headquarters for further action, where appropriate.

C. Final Statements

1. Determine whether any activities in the Final Statement that appear questionable regarding eligibility or compliance with national objectives were brought to the attention of the grantee and/or were identified for subsequent monitoring.
2. Determine that the certifications accompanying the Final Statement are complete, and the most current applicable, and that there is consistency from year to year on the period covered by the certification for overall benefit.
3. Check that the grantee is including program income in its Final Statement, and the level is being checked against that shown in the subsequent GPR.

D. Housing Assistance Plans, Comprehensive Housing Affordability Strategy, and Performance Reports

1. Are HAPs (or the CHAS) and housing performance reports received within the established deadlines?
2. Were grantees notified in writing within 30 days following submission for HAPS (or for the CHAS, within the time required by regulation) of their approval, disapproval, or that a final decision is still pending?
3. Does the Field Office take no more than an additional 30 days for HAPS (or for the CHAS, within the time required by regulation) to make a final decision to approve or disapprove an amended HAP (or CHAS)?
4. Is there evidence in the files that the HAP/CHAS Performance Reports have been reviewed and that HAP/CHAS performance has been properly reviewed in accordance with 570.903?

2-3 Additional Review of Systems

A. Program Income. Ensure that the Field Office is placing special emphasis on the following:

1. Determining that the Field Office maintains program income logs on its grantees. If logs are not maintained, determine how the Field Office is ensuring that grantees are properly reporting all program income in the GPR.
2. Giving program income heavy weight as a risk factor in the risk analysis and monitoring process (including monitoring strategy and review).
3. Determining that the grantee is advising citizens about the amount of program income available as part of the proposed statement preparation process.
4. Monitoring that the grantee is properly tracking program income generated by subrecipients.

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5. Determining that the grantee is identifying and recording all CDBG program income as part of the financial transactions of the CDBG program.

6. Determining that the grantee is substantially disbursing program income before LOCCS-VRS drawdowns.
 7. Determining whether the grantee is maintaining real property logs or other systems to aid it when property is sold or use has changed within the time frame specified in 570.505 or 570.503(b)(8).
- B. Subrecipients. Ensure that the Field Office is placing special emphasis on the following:
1. Analyzing how grantees select subrecipients to monitor.
 2. Determining that grantees ensure subrecipient-funded activities are eligible and meet a national objective.
 3. Determining that grantees are entering into written agreements with subrecipients.
 4. Determining that the written subrecipient agreements contain all of the required language specified in 570.503.
 5. Determining that grantees are properly reviewing subrecipient performance (neither nitpicking nor overlooking deficiencies).
 6. Determining that grantees are taking prompt and effective action to resolve deficiencies found in their review of subrecipients' performance.
 7. Determining that grantees are transmitting monitoring results to subrecipients. (If yes, what methods are typically used to convey results of grantee monitoring of subrecipients?)
 8. Determining that grantees are following up to ensure that promised corrective actions were taken and that deficiencies have been resolved.

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9. Analyzing what deficiencies in subrecipients were most often identified by the grantee and what, if any, corrective actions the grantee took to mitigate such deficiencies.

C. Economic Development Monitoring

1. Is there evidence that economic development activities are being reviewed to ensure that the regulatory requirements for low and moderate income job creation/retention are being met for those activities qualifying under that section of the low and moderate income national objective? What process is used?
2. Is there evidence that the required determinations are being properly checked for adequacy?

D. Corrective and Remedial Actions.

1. Was Headquarters' approval obtained where required prior to special conditioning or reducing a grant?
2. Review the extent to which the office is familiar with and is utilizing corrective and remedial actions to address performance and compliance deficiencies in accordance with Headquarters instructions found in CPD Notice 91-10, dated March 25, 1991, on "Addressing performance deficiencies under the Community Development Block Grant Entitlement and State Programs." Are they implementing the instructions in CPD Notice 89-39 on timeliness?

E. File Documentation. Are files in order and do they contain adequate documentation to substantiate the basis for program decisions and conclusions?

F. Training. What entitlement training has been provided to staff and grantees since the last review? (Describe: subject(s), when, length, attendees.) Does it appear to cover the most critically needed subject areas, including program income and subrecipients? In what areas do staff or grantees appear to need further training? What kind of training not already provided does the HUD staff need to review grantee necessary or appropriate determinations? What plans does the office have to

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conduct additional training? Considering the above, what training deficiencies are there?

G. Supervisory Oversight. Determine whether the Field Office's method of supervisory oversight results in timely processing and high quality administration of

the CDBG entitlement program.

1. a. Is there adequate oversight by the Program Manager of staff reviews of GPRS, HAPS, CHAS and other grantee submissions to ensure that the reviews are accurate and complete?
- b. What actions are taken when HAP, CHAS, GPR, or other reviews are found to be less than adequate? Give examples of problems found and corrective actions taken. (If the reviewer has found uncorrected deficiencies in GPR, HAP, CHAS or other reviews, discuss with the Program Manager.)
2. Does the Program Manager oversee on-site monitoring efforts as necessary to ensure that:
(a) proper techniques are employed in conducting the review; and (b) appropriate conclusions are reached?
3. Does the Program Manager review and approve risk analyses and monitoring strategies?
4. a. Is there an adequate process for ensuring that staff are kept current on entitlement program policy changes and guidance? Do CPD staff have copies of, or access to, information on the CDBG entitlement program, such as:
 - ___ regulations (the version transmitted by the Entitlement Communities Division)
 - ___ Guide to Eligible Activities
 - ___ Policy Guidance Notebook (including updates)
 - ___ GPR Handbook
 - ___ Monitoring Handbook
 - ___ Training Bulletins
 - ___ Recent notices on the CDBG program

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- b. What process is used for keeping staff up-to-date on CDBG program issues?
- c. Are files of current CPD notices maintained?
- d. Are staff trained on the content of CPD notices?

5. What is done to ensure that actions taken against grantees to enforce CDBG program requirements are consistent within the Field Office?
6. a. Review the management systems used in the office to track the following:
 1. HAP/CHAS and housing performance report processing
 2. Annual performance reviews
 3. Final Statement processing
 4. GPR processing
 5. Monitoring
 6. Resolution of findings
- b. Are the Field Office's management systems adequate for identifying problems with the timeliness of grantee submissions and HUD processing as well as for following up on the resolution of findings and the delivery of promised corrective actions?
7. Are new CPD Reps adequately trained?
8. Is the Program Manager or CPD Director aware of any lack of skills among staff? If so, what are they? What is being done to deal with the lack of skills?

H. Communications

1. How is information on changes in, or clarification of, the CDBG entitlement program policies and requirements, or CDBG program issues, transmitted to grantees? (Ask to see written transmittals.) Does the Field Office's method of transmitting information to grantees result in grantees receiving clear information in a timely manner?

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2. Is there evidence of communication problems between HUD and grantees? If so, what steps, if any, have been taken to solve them? What still needs to be done?
3. Does the Field Office have any suggestions for ways that the CDBG Entitlement Communities Division in Headquarters can improve its communication with this office?

Reviewer: Is there evidence of internal communication problems within this office? If yes, develop corrective actions to improve internal communications.

I. Staffing and Workload.

1. How many CPD Reps are in this office? _____
2. How many grantees are assigned per CPD Rep? _____
3. Considering the size and complexity of grantees, is the staffing level adequate?

Section 2. Section 108 Loan Guarantee Program

2-4 SECTION 108 LOAN PROGRAM

- A. Monitoring. Review at least one Section 108 file to ensure that the Field Office staff understand their monitoring responsibilities for the Section 108 Program as outlined in the CPD Monitoring Handbook.
- B. GPR Reviews. Ensure that the Field Office's review of a recipient's GPR includes activities financed under the Section 108 Program.