CHAPTER 36

Coronavirus Aid, Relief, and Economic Security supplemental funding – CARES ACT
(CDBG-CV, HOPWA-CV, HOPWA-C-CV, ESG-CV)

36-1 APPLICABILITY This chapter is applicable to monitoring Coronavirus Aid, Relief, and Economic Security (CARES Act) funding. The CARES Act provided supplemental funding to existing programs including the Community Development Block Grant, Housing Opportunities for Persons with Aids, and Emergency Solutions Grant. While these programs have existing Exhibits, new Exhibits were needed to address unique monitoring priorities for funds used to prevent, prepare for, and respond to coronavirus.

These existing programs have CARES Act Exhibits in Chapter 36:
- Community Development Block Grants (CDBG) (Entitlement)
- Community Development Block Grants (CDBG) (State)
- Housing Opportunities for Persons with AIDS (HOPWA)/Housing Opportunities for Persons with AIDS Competitive (HOPWA-C)
- Emergency Solutions Grants (ESG)

A. APPLICABILITY TO CDBG The procedures in this Chapter will apply to CDBG-CV and annual formula program funds for fiscal years 2019 and 2020 used to prevent, prepare for, and respond to coronavirus. Monitors are instructed to use the Exhibits in Chapter 36 to monitor the unique requirements for CDBG funded activities designated for coronavirus response. The basic requirements for the CDBG-CV are generally similar for annual formula CDBG Entitlement and State programs. However, the Exhibits in Chapter 36 are necessary to address unique requirements of the CARES Act and changes to program rules, waivers, and alternative requirements provided by HUD.

CDBG Exhibits are split into two main chapters: The base Exhibits are contained in Chapters 3 (CDBG Entitlement) and 4 (CDBG State) and the Addendums for coronavirus related activities are in Chapter 36. Because HUD granted several waivers and alternative requirements to support coronavirus related activities, these changes have been incorporated in the Addendums found in Chapter 36. The Exhibits in Chapters 3 and 4 are completed, where appropriate, and may be modified or supplemented by relevant sections of the Addendum. Both should be completed to ensure that both common and unique program requirements are reviewed.

B. APPLICABILITY TO HOPWA and HOPWA Competitive The procedures in this Chapter will apply to HOPWA-CV and HOPWA-C-CV. As described in Notice CPD-20-05, HUD modified the eligible activities as provided by the CARES Act and granted several waivers to support coronavirus related activities and these changes have been incorporated in Chapter 36. Monitors are instructed to use the HOPWA monitoring Exhibits in chapter 36 should be used for assistance provided with HOPWA-CV or
HOPWA-C-CV funds or FY2020 HOPWA grants for activities that were designated for coronavirus response.

C. APPLICABILITY TO ESG. The procedures in this Chapter will apply to: 1) the Emergency Solutions Grants (ESG) Program as funded and modified under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), otherwise known as ESG-CV; and 2) recipient and subrecipient activities funded with annual ESG grants (FY 2020 and older) used to prevent, prepare for, and respond to coronavirus (PPR). A recipient may have expended annual ESG funds both for activities used to PPR as well as activities not specifically designated for coronavirus response. In those cases, monitors are instructed to use the Exhibits in Chapter 36 to monitor annual ESG-funded activities designated for coronavirus response; Exhibits in Chapter 28 are to be used to monitor annual ESG-funded activities not designated for coronavirus response.

Requirements at 24 CFR Part 576 apply to the use of ESG-CV funds and annual ESG funds designated to PPR, unless otherwise provided by the alternative requirements and flexibilities established under the CARES Act, Notice CPD-21-08, Notice CPD-22-06, or other HUD waivers or CPD Notices. Notice CPD-21-08 supersedes Notice CPD-20-08, published on September 1, 2020, and reestablishes the allocation formula and amounts and reestablishes and announces new requirements for ESG-CV funding.

States, territories, and local governments receiving ESG-CV funds may carry out the program directly and/or subgrant all or part of their ESG funds to private nonprofit organizations to carry out eligible program activities. States receiving ESG-CV funds may subgrant to units of general-purpose local government to carry out the program. Urban counties may also subgrant to member governments. Additional eligible subrecipients are described in Section III.A of Notice CPD-21-08.

Part 576 generally incorporates the uniform administrative requirements, cost principles, and audit requirements, which were recently revised and codified at 2 CFR part 200. ESG-CV Exhibits contain (or incorporate) both questions to monitor compliance with 2 CFR part 200. For instructions on monitoring for compliance with the uniform administrative requirements, cost principles, and audit requirements while HUD works to update its rules, guidance, and monitoring Exhibits in response to OMB’s most recent changes to 2 CFR part 200, please see the revised introduction to Chapter 34 of this monitoring handbook.

Where ESG funds were used for acquisition, rehabilitation, shelter operations costs, leasing, rental assistance, or support services in connection with particular shelter(s) or housing, the HUD reviewer MUST complete the applicable Exhibits in Chapter 24 of this Handbook, Lead-Based Paint Compliance. NOTE: See Exhibit 24-1 (Properties Receiving Federal Rehabilitation Assistance), Exhibit 24-2 (Properties Receiving Acquisition, Leasing, Support Services, or Operations Assistance), Exhibit 24-3 (Properties Receiving Tenant-Based Rental Assistance), or Exhibit 24-4 (Properties Receiving Project-Based Rental Assistance).
36-2 PREPARING FOR MONITORING. The specific program areas or requirements to be monitored are determined as part of the risk analysis process (see additional guidance provided in Chapter 2). Before monitoring, the HUD reviewer should be familiar with both the program requirements, including waivers and alternative requirements, and the design and operation of the participant’s program, particularly any areas that have been identified as high-risk or that are the subject of the monitoring. Whether monitoring on-site or assembling materials for a remote monitoring, reviewers will need specific items to successfully monitor a participant’s program. Information that will assist in Program monitoring includes:

- Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136 (2020)
- Notice of Program Rules, Waivers, and Alternative Requirements Under the CARES Act for Community Development Block Grant Program Coronavirus Response Grants, Fiscal Year 2019 and 2020 Community Development Block Grants, and for Other Formula Programs (85 FR 51457, August 7, 2020)
- Notice CPD-20-05: Coronavirus Aid, Relief, and Economic Security Act Implementation Instructions and Related Flexibilities for the Housing Opportunities for Persons With AIDS Program
- Notice CPD-21-08: Waivers and Alternative Requirements for the Emergency Solutions Grants (ESG) Program Under the CARES Act (July 19, 2021)
- Notice CPD-22-06 Waivers and Alternative Requirements for the Emergency Solutions Grants Program Under the CARES Act (ESG-CV); Amendments and Clarifications (April 18, 2022)
- Notice CPD-21-05: Waiver and Alternative Requirements for the ESG Program Under the CARES Act (April 14, 2021)
- the most recent approved Consolidated Plan Annual Action Plan
- the grant agreement and amendment(s) to the grant agreement, and any subrecipient agreements and/or procurement contracts
- any HUD-approved waivers found at https://www.hud.gov/program_offices/comm_planning/waivers_covid-19
- Integrated Disbursement and Information System (IDIS) draw information and reports
- the latest Quarterly Performance Report (QPR)
- Program statutes and requirements.

Each program has different program authorities and regulations that should also be used. This information will vary based on the program being reviewed.

36-3 2 CFR 200 GRANTS MANAGEMENT POLICY UPDATES. On August 13, 2020 and February 22, 2021, the Office of Management and Budget (OMB) revised 2 CFR part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. These revisions contain changes that impact the management and administration of CDBG-CV, ESG-CV and HOPWA-CV awards. Most of these changes took effect on November 12, 2020. HUD is working on changing its regulations,
guidance, and monitoring Exhibits in response to the OMB changes to 2 CFR part 200. While CPD is making the necessary revisions to the monitoring Exhibits in Chapter 34 of the monitoring handbook, monitors should refer to the tables and instructions that are being added to that chapter with respect to their review of the part 200 requirements on financial management, audits, cost principles, procurement, and equipment.

Key changes are highlighted below:

Consistent terminology: OMB has removed all 2 CFR part 200 sections containing specific definitions (2 CFR 200.2-200.99) and added all the definitions in those sections into a general “Definitions” section, 2 CFR 200.1.

Closeout: OMB adjusted the closeout requirements to extend deadlines for recipients to submit closeout reports. (2 CFR 200.344, Closeout)

Procurement: OMB revised the procurement standards to provide greater flexibility regarding the micro-purchase threshold, incorporate the increased micro-purchase and simplified acquisition thresholds, add a domestic preferences provision (2 CFR 200.322, Domestic preferences for procurement).

Termination: OMB removed the “for cause” termination provision but added other termination provisions providing greater flexibility for HUD to terminate awards, and now requires HUD to inform recipients of termination provisions using clear and unambiguous information. (2 CFR 200.340)

Indirect costs: OMB relaxed the requirements for use of the de minimis rate. (2 CFR 200.414)

36-3 FILE SELECTION AND SAMPLING. As described in Chapter 2, the risk analysis process will be used to determine which program participant’s activities, projects and or functions should be reviewed. Each program will use the file selection and sampling method that is used for their annual programs.

Once the risk analysis process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the HUD reviewer should consider the following factors when determining the specific files that will comprise the review sample:

A. Examine files from each category of activity (eligible activity) or unique program requirement (such as duplication of benefits verification) being reviewed.

B. Where feasible, initial file selection should be made using a random selection method.
C. The reviewer may consider adding more files to the selection for the following reasons:

i. To ensure a file(s) from each staff person working in the respective program area is being monitored;

ii. If a project carries out new or modified requirements for CV funded programs. While CV funds generally follow the underlying program requirements (CDBG, ESG and HOPWA), there are important CV-related program changes that need to be monitored by HUD;

iii. To include additional files with the same characteristics, if indicated by the severity or nature of any problems(s) noted during the initial selection’s review (for example, same problem category, same staff person, same activities, or other characteristics). This expanded sampling aids in determining whether problems are isolated events or represent a systemic problem; or

   If applicable, to include areas with unresolved problems identified in previous monitoring, any new types of activities being undertaken, and/or the extent that any activities are considered high risk;

iv. If any project that the HUD reviewer has reason to believe may have compliance problems or that is substantially different in terms of size, complexity, or other factors from other projects the recipient has funded.