**Special Attention of:**

**Transmittal** for Handbook No: 6509.2 REV-7

CPD Staff

CPD Program Participants/Grantees **Issued:** February 2017

1. This Transmits: HUD Handbook 6509.2 REV-7, *Community Planning and Development Monitoring Handbook*.
2. Explanation of Significant Changes: The primary purpose of this revision is to provide updated guidance for monitoring CPD programs in light of 2 CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Requirements”). The majority of the monitoring guidance for the Uniform Requirements is included in Chapter 34, which contains four new Exhibits which are to be used to monitor the following areas for all CPD programs to which these requirements apply: Financial Management/Audits; Cost Allowability; Procurement; and Equipment Management and Equipment Disposition. Monitoring guidance pertaining to grant and subrecipient management for 2 CFR part 200 has been added to the individual program Chapters, where applicable.

Additionally, monitoring guidance has been added for six new programs in four new Chapters: Appalachia Economic Development Initiative (AEDI), Border Community Capital Initiative (BCCI), and Delta Community Capital Initiative (DCCI), which are all included in a chapter on *Community Capital Initiatives (CCI)* (Chapter 30); Self-Help Homeownership Opportunity Program (SHOP) (Chapter 31); Rural Capacity Building for Community Development and Affordable Housing Grants (RCB) (Chapter 32); and Capacity Building for Community Development and Affordable Housing Grants (Section 4) (Chapter 33).

Four chapters have been removed: Chapter 17, *Community Development Technical Assistance (CDTA) Cooperative Agreements*, due to its expansion to other programs within HUD and the development of Community Compass, HUD’s new model for providing technical assistance; Chapter 18, *Youthbuild Program*, which was transferred from HUD to the Department of Labor in 2006 (as well as the fact that there are no more open grants being monitored by HUD); Chapter 20, *Consolidated Plan*, since Plans are reviewed at time of submission; and Chapter 26, *Alternative Monitoring Formats*, due to limited use and program changes which further diminished its utility.

Other changes have been made to Chapters 3, 4, 5, 6, 10, 11, 12, 13, 19, 22, 23, 24, 27, 28, and 29 based upon regulatory or statutory changes, or program need.

1. Description of Specific Changes:
2. General: In cases where existing Exhibits have been revised, the N/A option has been added to questions where it was not present before.
3. Table of Contents: Conforming changes have been made, where necessary, to reflect the modifications noted here.
4. Chapter 1, *Introduction*: Changes have been made to Section 1-2 to update the reference to the Government Accountability Office’s internal control standards and to Section 1-3 to reflect additions and deletions to the programs and areas covered by this Handbook. Two definitions, E and I, in Section 1-6 have been modified.
5. Chapter 2, *Management of Monitoring Activities*: Changes have been made in Section 2-3 and 2-4 to update URLs and terminology changes; in Sections 2-6 and 2-11.B to update areas covered; in Section 2-7.A to update examples of required services in CPD’s notification letter; in Section 2-8.B.1.d to elaborate on a Finding’s effect; in Section 2-7.C.3 to remove a reference to Quality Management Reviews (QMRs); in Section 2-9.B to clarify how FHEO findings are made and to correct the reference to Exhibit 2-2; in Section 2-10.E to clarify the need to explain monitoring strategy changes in the monitoring report and to add a new “J” to address the need to include FHEO issues, if identified; a cautionary note has been added to Section 2-10 to refrain from including personally identifiable information (PII) on assisted individuals in monitoring letters; in Section 2-13.A to sharpen language related to building an administrative record; in Section 2-13.B to remove a reference to Office of Management and Budget (OMB) Circulars (in light of 2 CFR part 200); and in Section 2-13.D to reflect changes in the length of time email and voice mail messages are retained. Minor wording changes were made in Sections 2-2, 2-3, 2-4, 2-5.A.1 and 2-6. Typographical errors have also been corrected.
   * Exhibit 2-1, *CPD Monitoring Summary Form*: A new section A.8 was added to summarize issues identified for civil rights-related requirements that would be forwarded to HUD’s Office of Fair Housing and Equal Opportunity for follow-up.
   * Exhibit 2-2, *Program and Technical Areas Sanction References for Noncompliance Remedies*: Changes have been made to update and add references, where needed.
6. Chapter 3, *Community Development Block Grant (CDBG) Entitlement, Small Cities, Non-Entitlement CDBG Grants in Hawaii, and Insular Areas Programs*: Changes have been made, as applicable, to include the 2 CFR part 200 requirements to Exhibits 3-1 through 3-23. A new code enforcement Exhibit (Exhibit 3-23) has been added to reflect the code enforcement requirements. Exhibit 3-24 has been added to reflect the public services cap and planning and administrative cap requirements. Former Exhibit 26-2 has been revised into a new Exhibit 3-25. Exhibit 3-15 has been revised to review a formula grant program participant’s implementation of a Neighborhood Revitalization Strategy Area (NRSA), as described in the Consolidated Plan regulations at 24 CFR 91.215(g). The Exhibit has been revised as follows:

- Exhibit 3-15, *Guide for Review of a HUD-Approved Neighborhood Revitalization Strategy Area:* The Exhibit was updated to incorporate CPD Notice 16-16, *Neighborhood Revitalization Strategy Areas (NRSAs) in the Community Development Block Grant (CDBG) Entitlement Program*, dated September 21, 2016. This Exhibit is for the review of entitlement grantees and should not be used for State CDBG Community Revitalization Strategies. It has been updated to monitor progress made on approved plans, thus, questions related to NRSA approval have been removed.

f. Chapter 4: *State CDBG Program*: The introductory text was significantly rewritten for simplicity. All Exhibit-specific instructions were removed, since those instructions were duplicated within each Exhibit. A concise discussion was added to address which portions of 24 CFR part 570, which portions of 2 CFR part 200, and which other monitoring Handbook chapters are applicable to the State CDBG program. The Exhibits were significantly rewritten to reduce the number of generally descriptive questions, to make compliance questions more precise, and to remove a number of optional worksheets. In practice, the new version of Chapter 4 will provide for a more focused monitoring review. Several Exhibits were updated to address the transition to 2 CFR part 200, as well as regulatory changes promulgated by the Interim Final Rule, *Changes to Accounting Requirements for the Community Development Block Grants (CDBG) Program*. A description of the Exhibit changes includes:

* Exhibit 4-1, *Guide for Review of Eligibility and National Objective*: This Exhibit was significantly rewritten to reduce the number of generally descriptive questions, to make compliance questions more precise, and to remove optional worksheets.
* Exhibit 4-2, *Guide for Review of Eligibility and National Objectives: Economic Development Supplement*: This Exhibit was significantly rewritten to reduce the number of generally descriptive questions, to make compliance questions more precise, and to remove optional worksheets. Questions on the job creation/ retention national objective and a question on eminent domain have now been included for the first time. The prior worksheets on public benefit standards were removed; the reviewer will now verify the State’s calculation, instead of recalculating it with the worksheet. Lastly, the underwriting guidelines now reflect the Annual HUD Appropriations Acts, beginning with Fiscal Year 2015, which make underwriting guidelines applicable to assistance to for-profits under 105(a)(17) of the Housing and Community Development Act.
* Exhibit 4-3, *Guide for Review of the Overall Benefit Test*: This Exhibit was rewritten with more precise language in the instructions and worksheet. The omission of two important elements was corrected: Section 108 loan expenditures, and prorating for non-Low- and Moderate-Income (LMI) housing.
* Exhibit 4-4, *Guide for Review of the Method of Distribution & Local Government Citizen Participation*: The title was changed from the *Guide for Review of Conformance to Method of Distribution*. This Exhibit was updated to include revised regulatory language promulgated by the Interim Final Rule, *Changes to Accounting Requirements for the Community Development Block Grants (CDBG) Program*. The Exhibit was also rewritten to make compliance questions more precise.
* Exhibit 4-5, *Guide for Review of Timely Distribution*: This Exhibit was updated to better focus on the compliance determination. The prior two worksheets on the grant funds were reduced to one, and a worksheet for program income was added.
* Exhibit 4-6, *Guide for State Review of Grant Recipients and Performance Reporting*: This Exhibit was expanded to include performance reporting since the questions now more clearly address the state's responsibility to collect information from local governments on accomplishments and funding. The relationship to 2 CFR part 200 was added along with questions on the content of subawards. The descriptive questions were rewritten to be compliance-based, and the worksheet was removed.
* Exhibit 4-7, *Guide for Review of Program Administration*: This Exhibit was significantly rewritten and renamed. The former title was the *Guide for Review of Administrative Financial Management Requirements*. The cursory worksheet format has been replaced with a larger number of focused compliance questions. Additionally, more subjects have been added, following the general outline of 24 CFR 570.489, *Program administrative requirements.* The Exhibit also now addresses the applicability of 2 CFR part 200, specifically, the portions of Chapter 34 that apply to State CDBG.
* Exhibit 4-8, *Guide for Review of Closeout System*: This Exhibit was updated to reference 2 CFR part 200, and to address post-closeout considerations for program income, change of use, and record retention. The worksheets were removed. Also, the prior questions on conditional closeouts and termination for cause/for convenience were removed.
* Exhibit 4-9, *Guide for Review of Colonias Set-Aside*: This Exhibit was simplified by condensing multiple questions on the same compliance elements into single questions and removing a few of the prior descriptive questions.

g. Chapter 5, *Section 108 Loan Guarantees, Economic Development Initiative (EDI), and Brownfields Economic Development Initiative (BEDI)*:The introductory Chapter text has been revised to update applicable requirements and to reflect the incorporation of Section 108 into the Integrated Disbursement and Information System (IDIS). The current status of the Economic Development Initiative/Brownfields Economic Development Initiative (EDI/BEDI) programs is updated and new monitoring materials are noted, as well as taking into account any applicable Notice of Funding Availability (NOFA).

- Exhibit 5-1, *Guide for Review of Section 108 Loan Guarantees and BEDI/EDI Grants*: The instructions were revised to reflect the status of the EDI/BEDI grant programs and to make it consistent with other related Exhibits in REV-7. Questions 1.a and 1.b have been renumbered to questions 1 and 2; question 2.a has been deleted and 2.b is renumbered to question 3, which was revised to reflect the status of the EDI/BEDI programs. Former question 3 is now #4, which was also revised to reflect EDI/BEDI status. Question 5 was deleted; former question 4 is now #5; question 5.a is now #6.a; questions 6.b and 7.a have been added; question 7.b has been revised; and question 9.b was revised and also renumbered to #8. A new Section B on “Reporting” has been added, including new questions 10.a and 10.b, regarding IDIS and reporting; and new questions 11.a, b, and c have been added related to timeliness in execution of both Section 108 and EDI/BEDI. A new Section C on “Section 108 Security Requirements” has been added; question 11 was revised and also renumbered to 12; question 12 is now 13.a and was edited for clarity; and question 13.b was edited for consistency. Section C is now Section D on “Section 108 Financial Management,” and the instruction paragraph was edited for clarity; question 15 is now #14; question 14 was revised and renumbered to #15; a new question 16 was added; questions 16 through 18 were renumbered and edited for consistency; question 20 was reworded and question 21 was added. Section D is now Section E on “EDI/BEDI Grant Financial Management;” the instructions were edited for consistency; questions 21 through 24 were renumbered and question 24 was revised.

1. Chapter 6, *Disaster Recovery Community Development Block Grant Supplemental Grants*: Exhibits 6-8 and 6-9 were revised for the Community Development Block Grant disaster recovery (CDBG-DR) program participant’s conformity to requirements in 24 CFR Parts 84 or 85 (2013 edition); and 24 CFR part 570, Subparts I, J, and K (2013 edition). Regulations in place prior to the publication and implementation of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Requirements”) at 2 CFR part 200 are for monitoring program participants with funds not subject to the requirements in 2 CFR part 200.
   * Exhibit 6-8, *Guide for Review of Procurement*: This Exhibit is designed to monitor a CDBG-DR program participant’s procurement of goods or services through its CDBG-DR award. Citations to the 2013 edition of 24 CFR part 85, regulations that were in place prior to the publication and implementation of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR part 200, are for monitoring program participants with funds not subject to the procurement standards in 2 CFR part 200. State CDBG-DR program participants are generally not subject to procurement standards in 2 CFR part 200, regardless of the date of the Federal award (obligation). However, requirements associated with CDBG-DR grants can vary significantly from appropriation to appropriation, which can result in the applicable regulations, grant agreements, published Notices, and general rules of thumb described in these instructions to vary and, as a result, some State CDBG-DR program participants may be subject to the procurement standards in 2 CFR part 200. CPD staff should, therefore, first identify all sources of requirements related to the grant being monitored in order to determine the applicability of requirements and questions in this Exhibit through reference to Attachment 6-1, the Disaster Recovery CDBG Supplemental Grants Document Reference Tool, and any applicable statutes, regulations, and Notices.
   * Exhibit 6-9, *Guide* *for Review of Financial Management*: This Exhibit contains citations to the 2013 edition of 24 CFR parts 84 and 85. Part 1 determines the scope of the review by identifying the type of participants as States, local governments, or subrecipients. Part 2-Section M, applies the previous A-133 audit requirements; mainly, grants expending over $500,000 per year are subject to an audit.

i. Chapter 10, *Housing Opportunities for Persons With AIDS (HOPWA)*: All seven Exhibits and the Chapter introductory text have been updated to reflect current requirements. All questions were either renumbered and/or revised to better organize HOPWA program requirements. Eligible HOPWA program activity questions have been broken out over Exhibits 10-1 and 10-2 as follows: STRMU: Exhibit 10-1, Section D; Rental Assistance Programs: Exhibit 10-1, Section E; Facility Development: Exhibit 10-2, Section A; and Facility Operations: Exhibit 10-2, Section B. The breakout of program activities will now allow reviewers to concentrate on the program activity being monitored without skipping multiple inapplicable questions. Minor changes include adding an N/A option to each question and deleting redundant questions found throughout multiple Exhibits. Major changes include streamlining and re-ordering Exhibit questions, and providing inclusion of 2 CFR part 200 Uniform Requirements. The new Exhibits in Chapter 34 will be used to monitor HOPWA grantee compliance with the Uniform Requirements for federal awards at 2 CFR part 200 in the four areas of financial management/audits, cost allowability, procurement, and equipment. Reviewers should always start monitoring HOPWA grantees with Chapter 10 Exhibits, and then use Chapter 34 Exhibits, when applicable, to ensure that the 2 CFR part 200 requirements are being met. Individual Chapter 10 Exhibits indicate when reviewers should begin using Chapter 34 Exhibits. The streamlining and re-ordering of Exhibit questions was completed to make the Exhibits more user-friendly.

* + Exhibit 10-1, *Guide for Review of HOPWA Housing Planning and Rent Subsidies*: Sections A-D now contain monitoring questions for all HOPWA grants regardless of the grant’s program activities or year awarded. 2 CFR part 200 requirements are incorporated throughout the Exhibit alongside HOPWA regulations and the 2013 edition of 24 CFR parts 84 and 85. All questions added to cover 2 CFR part 200 requirements are clearly labeled with “For Monitoring Covered by 2 CFR Part 200 Requirements.” Instructions were also updated to clearly identify the HOPWA grants to be monitored with the Exhibit in regard to 2 CFR part 200 requirements and program activities.
  + Exhibit 10-2, *Guide for Review of HOPWA Facility-Based Projects*: Monitoring to address HOPWA Habitability Standards is added in Question 19. 2 CFR part 200 requirements were incorporated throughout the Exhibit alongside HOPWA regulations and the 2013 edition of 24 CFR parts 84 and 85. All questions added to cover 2 CFR part 200 requirements are clearly labeled with “For Monitoring Covered by 2 CFR Part 200 Requirements.” Instructions were also updated to clearly identify the HOPWA grants to be monitored with the Exhibit in regard to 2 CFR part 200 requirements and program activities.
  + Exhibit 10-4, *Guide for Review of HOPWA Project Sponsor or Subrecipient Management:* 2 CFR part 200 requirements are incorporated throughout the Exhibit alongside HOPWA regulations and the 2013 edition of 24 CFR parts 84 and 85. All questions added to cover 2 CFR part 200 requirements are clearly labeled with “For Monitoring Covered by 2 CFR Part 200 Requirements.” Questions covering both 2 CFR part 200 and 24 CFR parts 84 or 85 have clarification in the regulatory citation of the question. Instructions were also updated to clearly identify the HOPWA grants to be monitored with the Exhibit in regard to 2 CFR part 200 requirements and program activities.
  + While minor updates were made to Exhibits 10-3, 10-5, 10-6, and 10-7, these Exhibits have retained their questions and will be carried forward to cover HOPWA activities and costs subject to 24 CFR parts 84 or 85.

1. Chapter 11, *Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) Program for Homeless Individuals*: Changes have been made to the Chapter introductory text in Section 11-1 to clarify CPD’s role in monitoring this program generally for compliance with the Uniform Requirements of 2 CFR part 200.

* Exhibit 11-2, *Guide for Review of SRO Program Participants*: The citations in question 5 were updated to reflect the reporting requirement applicable to Subparts D and F of 2 CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

k. Chapter 12: *Shelter Plus Care (S+C) Program*: Changes have been made to the introductory Chapter text only, in Section 12-1, to make clear that the Uniform Requirements of 2 CFR part 200 are not applicable to this program.

1. Chapter 13: *Supportive Housing Program (SHP)*: Changes have been made to the introductory Chapter text only, in Section 13-1, to make clear that the Uniform Requirements of 2 CFR part 200 are not applicable to this program.
2. Chapter 17*, Community Development Technical Assistance (CDTA) Cooperative Agreements*: This Chapter, and its one Exhibit 17-1, *Guide for Review of Cooperative Agreements*, is being deleted. The Community Development Technical Assistance (CD-TA) program has been expanded to include other HUD Offices and is now HUD’s Community Compass technical assistance and capacity building program. Community Compass represents a cross-agency, collaborative approach to planning and delivering technical assistance and capacity building activities to benefit a wider range of HUD stakeholders, including grantees, public housing authorities, tribes, and other HUD stakeholders. Offices within CPD, Public and Indian Housing (PIH), Housing, and Fair Housing and Equal Opportunity (FHEO) work together to plan, fund, and manage the program. Review, approval, and oversight of the cooperative agreement awardees is a shared responsibility among HUD offices and staff. Under the Community Compass model, Headquarters staff within CPD’s Technical Assistance Division (TAD) (and one staff person in PIH) serve as the Government Technical Representatives (GTRs) to ensure that all Federal, HUD, and other cooperative agreement technical, administrative and financial requirements are met. GTRS coordinate with Headquarters program staff who serve as Governmental Technical Monitors (GTMs) and with Field Office staff, both of whom provide programmatic input into the development of work plans and review of awardee progress reports, products, tools, and more. Together, these staff help to ensure that TA/capacity building helps achieve the highest level of performance and results for HUD programs. Pre-award activities include a pre-award risk assessment, as required by 2 CFR part 200. TAD uses criteria from among those published in the Notice of Funding Availability (NOFA) to conduct the review and, as needed, may impose special conditions on an awardee. GTRs and GTMs are trained in how to review work plans, reports, invoices and products funded through TA cooperative agreements. At present, review of work plans and reports are conducted remotely through the TA Portal (TAD’s system of grants management for the awards) and invoices and corresponding activities are monitored through the Disaster Recovery Grant Reporting (DRGR) system. These activities are ongoing, at least monthly. There is no other structured, on-site monitoring process or monitoring protocol at this time.

1. Chapter 18, *Youthbuild Program*: This Chapter, and its six Exhibits, is removed. Program management was transferred from HUD to the Department of Labor in 2006 and there are no longer any open grants being monitored by HUD.
2. Chapter 19, *Citizen Participation*: Exhibits 19-1, 19-2, 19-3, and 19-4 have been designed to review compliance with the Citizen Participation Plan requirements per the Consolidated Plan regulations at 24 CFR Part 91, Subpart B. These four Exhibits have been revised as follows:

- Exhibit 19-1, *Guide for Completeness Review of Local Government Citizen Participation Plan*: The seven sections of the Exhibit were updated to incorporate Affirmatively Furthering Fair Housing requirements, where applicable, for the Citizen Participation Plan. In addition to updates in each section, the *Development of the Consolidated Plan* section has been renamed *Development of the Consolidated Plan* [*and the AFH*]. The *Consolidated Plan Amendments* section has been renamed *Consolidated Plan Amendments* [*and AFH Revisions*]to reflect updates to the Exhibit.

- Exhibit 19-2, *Guide for Completeness Review of State Citizen Participation Plan*: The nine sections of the Exhibit were updated to incorporate Affirmatively Furthering Fair Housing requirements, where applicable, for the Citizen Participation Plan. In addition to updates in each section, the *Development of the Consolidated Plan* section has been renamed *Development of the Consolidated Plan* [*and the AFH*]. The *Consolidated Plan Amendments* section has been renamed *Consolidated Plan Amendments* [*and AFH Revisions*]to reflect updates to the Exhibit.

- Exhibit 19-3, *Guide for Review of Local Government Citizen Participation Plan Performance*: The seven sections of the Exhibit were reduced to two sections to reflect updates incorporated into Exhibit 19-1: the *Development of the Citizen Participation Plan and Any Amendments* section; and the *Development of the Consolidated Plan* section.

- Exhibit 19-4, *Guide for Review of State Citizen Participation Plan Performance*: The nine sections of the Exhibit were reduced to two sections to reflect updates incorporated into Exhibit 19-2: the *Development of the Citizen Participation Plan* *and Any Amendments* section; and *Development of the Consolidated Plan* section.

p. Chapter 20, *Consolidated Plan*: This Chapter and its single Exhibit 20-1 has been removed from the Handbook. Consolidated Plans are reviewed by CPD staff at time of submission and automatically approved within 45 days if not disapproved in accordance with 24 CFR part 91, and Consolidated Plan performance reviews are based on the Consolidated Annual Performance and Evaluation Reports (CAPERs). The questions included in the Exhibit are redundant since they would be reviewed during the Plan approval or performance review process.

1. Chapter 22, *Fair Housing and Equal Opportunity (FHEO)*: Changes have been made to both the Chapter introductory text (Sections 22-3, 22-4, and 22-7) and to the “NOTE” at the top of each Exhibit 22-1 through 22-7 to reflect a change made in a revised delegation of authority published in the Federal Register November 29, 2011 (see Vol. 76, No. 229, page 73987; FR-5544-D-06) that grants FHEO the authority to determine and resolve matters involving compliance with non-discrimination requirements. CPD staff, when monitoring FHEO requirements, will identify issues to be brought to the attention of FHEO for follow-up and resolution. Changes were also made in the introductory text to Chapter 22 in Section 22-3.A(1)(iv) to delete a reference to an expired Notice and in Section 22-3.B(1)(iv) to include the regulatory recordkeeping citation for the Housing Opportunities for Persons With AIDS (HOPWA) program. In the first paragraph in Section 22-8, the word “program” was added in front of “Exhibit”. Changes were made in Exhibit 22-5 in the instructions and in questions 1, 8 and 9 to eliminate references to SuperNOFAs, which the Department no longer issues.

Certain portions of Chapter 22 are outdated, given regulatory changes in some of the areas being monitored (e.g., Affirmatively Furthering Fair Housing, Section 504). This Chapter will be revised as soon as is feasible. A footnote has been added to the introductory text to acknowledge this. In the interim, CPD staff should continue to follow the established protocols and seek technical assistance and advice for any monitoring-related issues (see Section 22-3.B(3) in the Chapter introductory text).

1. Chapter 23, *Labor Standards Administration*: Changes have been made to the introductory Chapter text to reflect a name change from the Office of Labor Relations to the Office of Labor Standards and Enforcement (OLSE). Changes have also been made to Section 23-6 in the introductory Chapter text to reflect the addition and removal of covered programs.

* Exhibit 23-1, *Guide for Review of Labor Standards Administration*: Changes have been made to all questions to reflect both the name change and to update references from Handbook 1344.1, *Federal Labor Standards Requirements in Housing and Urban Development Programs*, which was updated in September 2013.

1. Chapter 24, *Lead-Based Paint Compliance*: This Chapter has been revised to reflect the Environmental Protection Agency’s Renovation, Repair and Painting (RRP) Rule (40 CFR 745, subpart E), and to track additional specific elements of HUD’s Lead Safe Housing Rule (24 CFR part 35, subparts B – R), based on the results of monitoring under the previous revision of this Handbook. The introductory text in Chapter 24 has been revised to include the EPA regulation. Specifically, section 24-1.D was revised to insert a description of the new EPA LBP rule; section 24-2.A was changed to move the Title X definition to the first paragraph; the second paragraph line and last line were also edited. The first paragraph in Section 24-2.B was edited and citations were added to Community Development Block Grants. Section 24-2.C was edited in 2.i, Exempt Programs, and text was added to the paragraph after 2.ii. Section 24-3 was revised entirely. Section 24-4.B was deleted. Section 24-4.C was changed to B and text edited. Section 24-4.D was changed to C, and text edited. Sections 24-5, 24-6, 24-7 and 24-8 had minor edits throughout.

* Attachment 24-1: Edited Header Row; Subpart A, columns C and E; Subpart J, column C; Subparts K and M, column D; and Notes 1 and 3.
* Attachment 24-2: Edited A; D (extra space in “identified above” removed); E (added URL and edited last paragraph); G and I.
* Attachment 24-3: Minor edits in each part.
* Exhibit 24-1, *Guide for Review of Lead-Based Paint Compliance in Properties Receiving Federal Rehabilitation Assistance*: Edits in questions 2, 3, 5, 6, 8.a, 8.d, 9.a, 9.c, 10 title and text, 11 title, 11.a, 11.b, 12.a, 12.b, and 14.
* Exhibit 24-2, *Guide for Review of Lead-Based Paint Compliance in Properties Receiving Acquisition, Leasing, Support Services, or Operations Assistance*: Edits in questions 1, 2, 3, 4, 5, 7, 9, 10, 11, 12.a, 14, and 15.
* Exhibit 24-3, *Guide for Review of Lead-Based Paint Compliance in Properties Receiving Tenant-Based Rental Assistance (TBRA)*: Edits in questions 1, 2, 3, 4, 5, 7, 8, 14, 15, 16, and 18.
* Exhibit 24-4, *Guide for Review of Lead-Based Paint Compliance in Properties Receiving Project-Based Rental Assistance*: Edits in questions 1, 2, 3.a, 3.b, 3.c, 3.e, 3.f, and 3.g.

1. Chapter 26, *Alternative Monitoring Formats*: This Chapter has been removed. Of the two Exhibits in this Chapter, Exhibit 26-1, *Guide for Review of Multi-unit Rental Housing Rehabilitation Project*, has been eliminated. Exhibit 26-2, *Guide for Review of CDBG-Funded Public Facilities/Improvements*, has been moved to Chapter 3 and revised and renumbered as a new Exhibit 3-25.
2. Chapter 27, *Flood Insurance Protection*: Changes have been made to the introductory text in Chapter 27 to include the requirement that insurable contents receiving HUD financial assistance in a Special Flood Hazard Area must be insured.

* Exhibit 27-1, *Guide for Review of Flood Insurance Protection*: The following questions have been updated to reflect the above requirement: Questions 1, 2.a, 3, 4.a, 5, 6.b, and 8. A new final sentence was also added at the end of the Exhibit Instructions.

1. Chapter 28, *Emergency Solutions Grants (ESG) Program*:  Changes have been made to Exhibits 28-2, 28-3, 28-7, 28-8, 28-9, and 28-10 to reflect requirements applicable to the Subparts D and F of 2 CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* The ESG rule at 24 CFR part 576 generally incorporates the uniform administrative requirements, cost principles, and audit requirements, which were recently revised and codified at 2 CFR part 200. The relevant Exhibits contain both questions to monitor compliance with 2 CFR part 200 and questions to monitor compliance with the former uniform administrative requirements, cost principles, and audit requirements (i.e., 24 CFR parts 84 and 85 (2013), 2 CFR parts 225 and 230 (2013), and OMB Circular A-133). For HUD’s expectations on monitoring for compliance with the uniform administrative requirements, cost principles, and audit requirements during this period of transition to 2 CFR part 200, see HUD’s April 13, 2016, Notice CPD-16-04 (<http://portal.hud.gov/hudportal/documents/huddoc?id=16-04cpdn.pdf>).

* Exhibit 28-2, *Guide for Review of ESG Recipient’s Overall Grant Management*: This Exhibit reviews the recipient’s overall grant management and administration. The reviewer must also complete Exhibit 28-1.
* Exhibit 28-3, *Guide for Review of ESG Subrecipient Grant Management*: This Exhibit reviews the recipient’s subrecipients and their compliance with grant requirements. The reviewer must also complete Exhibit 28-1.
* Exhibit 28-7, *Guide for Review of ESG Match Requirements*: This Exhibit reviews the recipient’s and its subrecipents’ compliance with match requirements. The reviewer must also complete Exhibit 28-8 when reviewing grants awarded in FY 2014 and prior. Thereafter, the reviewer must complete Exhibit 34-1, *Guide for Review of Financial Management and Audits* to review financial management.
* Exhibit 28-8, *Guide for Review of ESG Financial Management and Cost Allowability*: This Exhibit reviews the recipient’s and its subrecipents’ financial management systems as well as the eligibility of the program’s expenditures. The reviewer must complete this Exhibit when reviewing grants awarded in FY 2014 and prior. Thereafter, the reviewer must complete Exhibit 34-1, *Guide for Review of Financial Management and Audits*, and Exhibit 34-2, *Guide for Review of Cost Allowability*. Also, the reviewer must complete Exhibit 28-7 to review match expenditures.
* Exhibit 28-9, *Guide for Review of ESG Procurement Requirements*: This Exhibit reviews the recipient’s and its subrecipents’ procurement transactions and should be completed when reviewing grants awarded in FY 2014 and prior. Thereafter, the reviewer must complete Exhibit 34-3, *Guide for Review of Procurement*.
* Exhibit 28-10, *Guide for Review of ESG Equipment and Equipment Disposition Requirements*: This Exhibit reviews the recipient’s and its subrecipents’ equipment management policies and should be completed when reviewing grants awarded in FY 2014 and prior. Thereafter, the reviewer must complete Exhibit 34-4, *Guide for Review of Equipment Management and Equipment Disposition*.

1. Chapter 29, *Continuum of Care (CoC) Program*: Changes have been made to Exhibits 29-3, 29-4, 29-11, 29-12, 29-13, and 29-14 to reflect requirements applicable to Subparts D and F of 2 CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* The CoC rule at 24 CFR part 578 (to which grants awarded in the FY 2012 competition and later are subject) now generally incorporates the uniform administrative requirements, cost principles, and audit requirements, which were revised and codified at 2 CFR part 200 in 2013 and to which grants awarded in the FY 2015 competition and later are subject. The relevant Exhibits contain both questions to monitor compliance with 2 CFR part 200 and questions to monitor compliance with the former uniform administrative requirements, cost principles, and audit requirements (i.e., 24 CFR parts 84 and 85 (2013), 2 CFR parts 225 and 230 (2013), and OMB Circular A-133). For HUD’s expectations on monitoring for compliance with the uniform administrative requirements, cost principles, and audit requirements during this period of transition to 2 CFR part 200, please see HUD’s April 13, 2016, Notice CPD-16-04 (<http://portal.hud.gov/hudportal/documents/huddoc?id=16-04cpdn.pdf>).

* Exhibit 29-3, *Guide for Review of CoC Recipient Overall Grant Management*: This Exhibit reviews the recipient’s overall grant management and administration. The reviewer must also complete Exhibit 29-1.
* Exhibit 29-4, *Guide for Review of CoC Subrecipient Grant Management*: This Exhibit reviews the recipient’s subrecipients and their compliance with grant requirements. The reviewer must also complete Exhibit 29-1.
* Exhibit 29-11, *Guide for Review of CoC Match Requirements*: This Exhibit reviews the recipient’s and its subrecipents’ compliance with match and expenditure requirements. The reviewer also must complete Exhibit 29-12 when reviewing grants awarded in FY 2014 and prior. Thereafter, the reviewer must complete Exhibit 34-1, *Guide for Review of Financial Management and Audits* to review financial management.
* Exhibit 29-12, *Guide for Review of CoC Financial Management and Cost Allowability*: This Exhibit reviews the recipient’s and its subrecipents’ financial management system as well as the eligibility of the program’s expenditures. The reviewer must complete this Exhibit when reviewing grants awarded in FY 2014 and prior. Thereafter, the reviewer must complete Exhibit 34-1, *Guide for Review of Financial Management and Audits* and Exhibit 34-2, *Guide for Review of Cost Allowability*. Also, the reviewer must complete Exhibit 29-11 to review match expenditures.
* Exhibit 29-13, *Guide for Review of CoC Procurement Requirements*: This Exhibit reviews the recipient’s and its subrecipents’ procurement transactions and should be completed when reviewing grants awarded in FY 2014 and prior. Thereafter, the reviewer must complete Exhibit 34-3, *Guide for Review of Procurement*.
* Exhibit 29-14, *Guide for Review of CoC Equipment and Equipment Disposition Requirements*: This Exhibit reviews the recipient’s and its subrecipents’ equipment management policies and should be completed when reviewing grants awarded in FY 2014 and prior. Thereafter, the reviewer must complete Exhibit 34-4, *Guide for Review of Equipment Management and Equipment Disposition*.

1. Chapter 30, *Community Capital Initiatives (CCI)*: A new Chapter with three Exhibits has been added for the purpose of providing monitoring guidance for three Community Capital Initiatives: the Appalachia Economic Development Initiative (AEDI); the Border Capital Community Initiative (BCCI); and the Delta Community Capital Initiative (DCCI). Funding for the CCI was provided by recaptured Rural Housing and Economic Development program funds, which were authorized by the Department of Veterans Affairs and the Department of Housing and Urban Development and Independent Agencies Appropriations Act, 1998 (Public Law 105-276, October 27, 1997).
2. Chapter 31, *Self-Help Homeownership Opportunity Program (SHOP)*: Another new Chapter with one Exhibit has been created for the purpose of providing monitoring guidance for all existing SHOP grants. The SHOP program, authorized by section 11 of the Housing Opportunity Program Extension Act of 1996, as amended, provides Federal funding through an annual competition to national and regional non-profit organizations and consortia that have experience in providing or facilitating innovative single-family and multifamily self-help housing opportunities for low-income persons and families.
3. Chapter 32, *Rural Capacity Building for Community Development and Affordable Housing Grants (RCB)*: A new Chapter has been created for the purpose of providing monitoring guidance for the Rural Capacity Building for Community Development and Affordable Housing Grants (RCB). The RCB program was authorized by the Consolidated and Continuing Appropriations Act of 2012 (Public Law 112–55) and provides funding to eligible National Non-Profits to enhance the capacity and ability of community development corporations (CDCs), community housing development organizations (CHDOs), Indian Tribes, Local Governments, and Rural Housing Development Organizations to carry out affordable housing and community development activities that benefit low- and moderate-income families in rural communities. The Chapter contains six Exhibits and includes appropriate questions for the corresponding regulations based on the award year. Awards made before December 19, 2014 (FY 2014 awards and prior) are subject to 24 CFR part 84, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*, in addition to the following four OMB Circulars A-50, A-110, A-122, and A-133; and Exhibits 32-3 through 32-6 are to be used to monitor these grants. Awards made after December 19, 2014 (FY 2015 moving forward), are subject to the uniform administrative requirements, cost principles, and audit requirements at 2 CFR part 200. The 2 CFR part 200 Exhibit questions pertaining to financial management/ audits, cost allowability, procurement, and equipment for Exhibits 32-3 through 32-6 are not included in this Chapter; instead, the RCB program will be using the corresponding Exhibits and questions from the four 2 CFR part 200 Exhibits in Chapter 34.

* Exhibit 32-1, *Guide for Review of RCB Grant and Subrecipient Management*: This Exhibit reviews the recipient’s overall grant management and administration, plus the recipient’s subrecipients and their compliance with grant requirements.
* Exhibit 32-2, *Guide for Review of RCB Leverage Contributions*: This Exhibit reviews the recipient’s compliance with its leverage commitment.
* Exhibit 32-3, *Guide for Review of RCB Financial Management and Audits*: This Exhibit reviews the recipient’s compliance with Federal financial management and audit requirements.
* Exhibit 32-4, *Guide for Review of RCB Cost Allowability*: This Exhibit reviews the recipient’s compliance with the cost allowability principles, including adequate documentation for expenditures and proper application of indirect costs.
* Exhibit 32-5, *Guide for Review of RCB Procurement*: This Exhibit reviews the recipient’s procurement processes and transactions.
* Exhibit 32-6, *Guide for Review of RCB Equipment Management and Equipment Disposition*: This Exhibit reviews the recipient’s compliance with the equipment management and disposition requirements.

1. Chapter 33, *Capacity Building for Community Development and Affordable Housing Grants (Section 4)*: A new Chapter has been created for the purpose of providing monitoring guidance for the Capacity Building for Community Development and Affordable Housing Grants (Section 4). The Section 4 Capacity Building Program was authorized by Section 4 of the HUD Demonstration Act of 1993 and provides funding to specific National Non-Profits to enhance the capacity and ability of community development corporations (CDCs) and community housing development organizations (CHDOs) to carry out affordable housing and community development activities that benefit low- and moderate-income families. The Chapter contains six Exhibits and includes appropriate questions for the corresponding regulations based on the award year. Awards made before December 19, 2014 (FY 2014 awards and prior), are subject to 24 CFR part 84, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*, in addition to the following four OMB Circulars A-50, A-110, A-122, and A-133; Exhibits 33-3 through 33-6 are to be used to monitor these awards in the areas of financial management/audits, cost allowability, procurement, and equipment. Awards made after December 19, 2014 (FY 2015 moving forward), are subject to the uniform administrative requirements, cost principles, and audit requirements at 2 CFR part 200. The 2 CFR part 200 Exhibit questions for Exhibits 33-3 through 33-6 are not included in this Chapter; instead, the RCB program will be using the corresponding four Exhibits in Chapter 34.

* Exhibit 33-1, *Guide for Review of Section 4 Grant and Subrecipient Management*: This Exhibit reviews the recipient’s overall grant management and administration, plus the recipient’s subrecipients and their compliance with grant requirements.
* Exhibit 33-2, *Guide for Review of Section 4 Match and* *Leverage Contributions*: This Exhibit reviews the recipient’s compliance with its match and leverage commitments.
* Exhibit 33-3, *Guide for Review of Section 4 Financial Management and Audits*: This Exhibit reviews the recipient’s compliance with Federal financial management and audit requirements.
* Exhibit 33-4, *Guide for Review of Section 4 Cost Allowability*: This Exhibit reviews the recipient’s compliance with the cost allowability principles, including adequate documentation for expenditures and proper application of indirect costs.
* Exhibit 33-5, *Guide for Review of Section 4 Procurement*: This Exhibit reviews the recipient’s procurement processes and transactions.
* Exhibit 33-6, *Guide for Review of Section 4 Equipment Management and Equipment Disposition*: This Exhibit reviews the recipient’s compliance with the equipment management and disposition requirements.

1. Chapter 34, *2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*: A new chapter has been added to incorporate the requirements of 2 CFR part 200 (Uniform Requirements). This Chapter contains four Exhibits to be used by any CPD program to which these requirements apply for the following areas: Financial Management and Audits, Cost Allowability, Procurement, and Equipment Management and Equipment Disposition.
2. Transition Instructions: This Handbook change becomes effective upon enactment. **CPD Field Offices are, therefore, to use these new and revised Exhibits upon issuance of this change.** For any Exhibit currently in the GMP Monitoring Module (the IT system for recording monitoring results) that is being revised here, CPD staff are to click on the Exhibit being used in the Module and upload the completed Word version of the revised Exhibit instead of completing the online outdated version. The GMP Monitoring Module will be updated as quickly as possible to reflect the changes noted herein, at which point notification will be provided to CPD staff. For new Chapters and Exhibits not yet incorporated into the GMP Monitoring Module, CPD staff are to complete these Exhibits in Word and retain all monitoring documentation in the official monitoring files (electronically and/or hard copy). When the GMP Monitoring Module has been updated, CPD field office staff will be required to go into the GMP Monitoring Module retroactively to document the results (e.g., complete screens to select program participant, program, monitoring dates, input conclusions; upload completed Word files). This will enable accurate reports on expenditures and results.

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