



Special Attention of:

CPD Staff
CPD Program Participants/Grantees

Transmittal for Handbook No: 6509.2 REV-7 CHG-3

Issued: November 2020

1. This Transmits: HUD Handbook 6509.2 REV-7 CHG-3, *Community Planning and Development Monitoring Handbook*.
2. Explanation of Significant Changes: The primary purpose of this revision is to provide updated direction for monitoring Community Development Block Grant Disaster Recovery (CDBG-DR) Supplemental Grant programs and to update Chapter 6 with any new *Federal Register* notice requirements (including notices published in the summer of 2019). These revisions also incorporate the enhanced internal controls oversight recommendations of the joint Oversight Enhancement Task Force convened by CPD, the Office of General Counsel and the Office of the Chief Financial Officer (primarily reflected in Chapter 34).

Chapter 6 Exhibits 1-8 will now serve as base Exhibits on the various activities or program areas being monitored. In these base Exhibits, CPD has only included requirements that are used relatively consistently throughout the various CDBG-DR supplemental appropriations and *Federal Register* notices. Items that are unique to specific allocations or that only apply to the most recent CDBG-DR grantees have been removed from the base Exhibits. The purpose of the base Exhibits is to provide a simple framework for monitoring without special considerations and requirements that are relatively limited. Those unique requirements are now added to newly created exhibits in Chapter 6 - Exhibits 10-15, which will serve as Addendums to the base Exhibits. The Addendums for each disaster year or grouping will contain all allocation-specific monitoring criteria, special considerations, and additional requirements imposed by statute, *Federal Register* notices, or grant agreements. Exhibit 6-10 will now serve as an Addendum to any base Exhibit when reviewing CDBG-DR grants awarded prior to 2011, Exhibit 6-11 will serve as an Addendum for 2011-2013 disaster grants, Exhibit 6-12 will serve as an Addendum for 2015 disaster grants, Exhibit 6-13 will serve as an Addendum for 2016 disaster grants, Exhibit 6-14 will serve as an Addendum for 2017 disaster grants, and Exhibit 6-15 will serve as an Addendum for CDBG-Mitigation (CDBG-MIT) grants. Reviewers are to select the base Exhibit once the activity, program, or area of review has been selected, and supplement that Exhibit with the corresponding section in the Addendum, based on the disaster year being monitored. For example, if a reviewer is monitoring a Buyout program for a 2016 disaster grantee, the reviewer would select Exhibit 6-2 (the base Exhibit for Buyouts) and Exhibit 6-13 (the Addendum for 2016 disaster grants).

The reviewer would complete the base Exhibit in full and use the section(s) of the Addendum that is(are) applicable to the 2016 CDBG-DR grantee's Buyout programs.

The primary purpose of the Chapter 34 Exhibit update is to introduce three alternate Exhibits (34-1a, 34-2a, and 34-3a) to strengthen monitoring of internal controls and reduce fraud, waste, and abuse in CPD programs. The applicability sections of Exhibits 34-1, 34-2, and 34-3 have been revised accordingly. In addition, minor corrections have been made to some of the questions and citations in Exhibits 34-1, 34-2, and 34-3. The alternate Exhibits are to be used in place of Exhibits 34-1, 34-2, and 34-3 for CDBG-DR in calendar year 2020. These new sections in the Chapter 34 Exhibits will initially be applicable only to CDBG-DR grants subject to 2 CFR part 200. However, the Exhibits will continue to list all CPD programs (i.e., not only CDBG-DR), as they will be used across CPD beginning in calendar year 2021.

3. Description of Specific Changes:

- a. General: In cases where existing Exhibits have been revised, the N/A option has been added to questions where it was not present before.
- b. Table of Contents: Conforming changes have been made, where necessary, to reflect the modifications noted here.
- c. Chapter 1: Conforming changes have been made to reflect the changes noted here and to update URLs.
- d. Chapter 6: DISASTER RECOVERY COMMUNITY DEVELOPMENT BLOCK GRANT:
The introductory text has been rewritten for simplicity and to include new instructions on how to use the Addendums. The Exhibits have been significantly rewritten to remove any unique, allocation-specific requirements, and those requirements are moved to the newly created Addendums. In practice, the new version of Chapter 6 will provide for a more focused monitoring review based on the disaster year being monitored. A description of the Exhibit changes includes:
 - Attachment 6-1, *Disaster Recovery CDBG Supplemental Grants Document Reference Tool*: This tool has been updated to include all Public Laws and Federal Register notices published since the Exhibits were last issued.
 - Exhibit 6-1, *Guide for Review of Overall Management of CDBG Disaster Recovery Grants*: This Exhibit has been significantly rewritten to add requirements related to monitoring subrecipients and State grantees' role in monitoring local governments. Questions have been removed if they were specific to only one allocation and were considered unique requirements to a specific disaster year.
 - Exhibit 6-2, *Guide for Review of Flood Zone and Floodway Buyouts and Non-Buyout Acquisitions*: This Exhibit has been significantly rewritten to strengthen language related to buyouts and non-buyout acquisitions. New low- and moderate-income national objective criteria have been added to the section on national objectives. Questions have been removed if they were specific to only

one allocation and were considered unique requirements to a specific disaster year.

- Exhibit 6-3, *Guide for Review of New Construction of Housing*: This Exhibit has been rewritten with more precise language related to requirements. Questions have been removed if they were specific to only one allocation and were considered unique requirements to a specific disaster year.
 - Exhibit 6-4, *Guide for Review of Infrastructure*: This Exhibit has also been rewritten with more precise language related to requirements. Questions have been removed if they were specific to only one allocation and were considered unique requirements to a specific disaster year.
 - Exhibit 6-5, *Guide for Review of Economic Development*: This Exhibit has been updated to reflect additional guidance related to reimbursement. Questions were removed if they were specific to only one allocation and were considered unique requirements to a specific disaster year.
 - Exhibit 6-6, *Guide for Review of Housing Rehabilitation and Reconstruction*: This Exhibit has also been updated to reflect additional guidance around reimbursement. Questions were removed if they were specific to only one allocation and were considered unique requirements to a specific disaster year.
 - Exhibit 6-7, *Guide for Review of Written Agreements*: This Exhibit has been rewritten to add greater clarity in the instructions and to add questions from Chapter 3 of the Monitoring Handbook to make this Exhibit more comprehensive. Questions were removed if they were specific to only one allocation and were considered unique requirements to a specific disaster year.
 - Exhibit 6-8, *Guide for Review of Procurement*: This Exhibit has been updated to provide clarity on which requirements apply to local governments and which apply to States. Questions were removed if they were specific to only one allocation and were considered unique requirements to a specific disaster year.
 - Exhibit 6-9, *Guide for Review of Financial Management*: This Exhibit has been removed from the monitoring handbook. Program participants with funds subject to the requirements of 2 CFR part 200 must be monitored under Exhibit 34-1a, 34-2a, or 34-3a, as applicable.
 - The following Exhibits are added as Addendums to the base Exhibits: Exhibit 6-10, *Addendum Guide for Review of CDBG-DR Pre-2011 Disasters*, applies to CDBG-DR grants awarded prior to 2011, Exhibit 6-11, *Addendum Guide for Review of CDBG-DR 2011-2013 Disasters*, for 2011-2013 disaster grants, Exhibit 6-12, *Addendum Guide for Review of CDBG-DR 2015 Disasters*, for 2015 disaster grants, Exhibit 6-13, *Addendum Guide for Review of CDBG-DR 2016 Disasters*, for 2016 disaster grants, Exhibit 6-14, *Addendum Guide for Review of CDBG-DR 2017 Disasters*, for 2017 disaster grants, and Exhibit 6-15, *Addendum Guide for Review of CDBG-DR Mitigation (MIT) Grantees*, for CDBG-Mitigation (CDBG-MIT) grants.
1. **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.** These new Exhibit names are not yet in the IT system for recording monitoring results, but will be shortly. CPD staff will complete the HUDClips Word versions of the Exhibits, and otherwise appropriately ensure sufficient documentation to support defensible

results that will also enable accurate reports.

4.

- d. Chapter 34: 2 CFR PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS: Exhibits 6-8 and 6-9 were revised for CDBG-DR grantee’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 34-1, *Guide for Review of Financial Management and Audits*: Revisions have removed any applicability to CDBG-DR. Minor corrections have been made to some of the questions and citations.
 - Exhibit 34-2, *Guide for Review of Cost Allowability*: Revisions remove any applicability to CDBG-DR. Minor corrections have been made to some of the questions and citations.
 - Exhibit 34-3, *Guide for Review of Procurement*: Revisions removed any applicability to CDBG-DR. Minor corrections have been made to some of the questions and citations.
 - The following Exhibits are to be used when monitoring CDBG-DR funds in calendar year 2020: Exhibit 34-1a: *Guide for Review of Financial Management and Audits*, Exhibit 34-2a: *Guide for Review of Cost Allowability*, and Exhibit 34-3a: *Guide for Review of Procurement*. The new sections in the Chapter 34 Exhibits will initially be applicable only to CDBG-DR grants subject to 2 CFR part 200. However, the Exhibits will continue to list all CPD programs (not only CDBG-DR) as they will be used across CPD programs beginning in calendar year 2021.

5. Filing Instructions: As noted below, remove obsolete pages and replace with the revised ones.

Remove:

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Chapter 34 introductory text	Chapter 34 introductory text
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