COMPLIANCE AND MONITORING MANUAL

CDBG-DR and CDBG-MIT PROGRAMS

Contents

Version History

The version history of the policy guidelines is tracked in the table below, with notes for each change. The dates of each publication are also tracked in the table.

The State will publish a new version after making substantive changes that reflect a policy change. The updated policy manual will be assigned a new primary version number such as 2.0, 3.0, etc.

After making non-substantial changes, such as minor wording and editing or clarification of existing policy that do not affect the interpretation or applicability of the policy, the State will publish a version of the document with a sequential number increase behind the primary version number such as 2.1, 2.2, etc.

Amendments made to policy may go into effect on the date of the revision or may be applied retroactively, depending on the applicant pipeline and status of applicants in the program intake and recovery process. Whether a policy will be applied proactively or retroactively will be detailed in the version history below and/or within the relevant chapters.

Version	Revision Date	Key Revisions
1.0	November 2023	Initial CDBG-DR Compliance and Monitoring Manual
2.0	April 2024	Clarification regarding DRR review timelines, desk vs. on-site reviews, and monthly/quarterly monitoring.

Definitions & Acronyms

Definitions

Annual Monitoring Plan: A document used by the Compliance staff to track monitoring event steps, timeliness, and resolution of findings and concerns, as well as to report Monitoring Events statistical data.

Capacity and Risk Assessment: Capacity assessments are conducted by OHCS to evaluate a subrecipient's capacity to compliantly implement CDBG-DR and CDBG-MIT and CDBG-MIT activities prior to executing a Subrecipient Agreement (SRA).

Clearance Letter: A letter sent to the monitored entity indicating that findings and concerns for a particular monitoring event are resolved.

Closeout Monitoring Event: A review of CDBG-DR and CDBG-MIT funded activities conducted to ensure files are accurate and complete and all findings are resolved prior to close-out of the activity.

Compliance Checklists: Checklists provided to ReOregon Program Staff by Compliance staff that track the implementation of the program and the documentation that is required pursuant to program, state, and Federal requirements.

Compliance and Monitoring Manual: Refers to a document that outlines the policy and procedures for OHCS CDBG-DR and CDBG-MIT monitoring responsibilities.

Contract/Grant Administrator: The OHCS CDBG-DR and CDBG-MIT area, office, or team responsible for direct oversight of subrecipients and contractors.

Contractor: An entity procured to provide clearly identified goods or services to OHCS in the implementation of various OHCS CDBG-DR and CDBG-MIT programs.

Corrective Action Plan: A plan developed by Compliance Staff, programmatic area, and/or Monitored Entity to map out a strategy for resolving all open findings and concerns. This plan is owned by those implementing recommendations.

Desk Monitoring Event: Monitoring event that occurs remotely and is permissible for low- and medium-risk grantees.

Developer: a for-profit or private nonprofit individual or entity that the grantee provides CDBG-DR and CDBG-MIT assistance to for the purpose of (1) acquiring homes and residential properties to rehabilitate for use or resale for residential purposes and (2) constructing new housing in connection with the redevelopment of demolished or vacant properties. Developers are program beneficiaries and thus distinct from

subrecipients, grantee employees, and contractors. They must be procured through some form of competitive process. Developers may receive CDBG-DR AND CDBG-MIT AND CDBG-MIT funds from either the grantee or a subrecipient but must have land control. It should be noted that Public Housing Authorities are public agencies and therefore are unable to be a developer.

DRGR: The Disaster Recovery Grant Reporting system is primarily used by grantees to access grant funds and report performance accomplishments for grant-funded activities. The DRGR system is used by HUD staff to review grant-funded activities, prepare reports to Congress and other interested parties, and monitor program compliance.

Entrance Conference: A meeting held at the beginning of a monitoring event to discuss the scope, intent, process, and logistics for a monitoring event.

Exit Conference: A meeting held at the end of a monitoring event to review the results of the monitoring review and next steps.

Financial Capacity Monitoring Event: A monitoring event held once OHCS completes a drawdown in DRGR for the first time for a contractor or subrecipient to ensure the monitored entity has sufficient financial processes in place, is adequately staffed and trained, and is maintaining appropriate source documentation.

Grantee: An entity that has a binding agreement in place with HUD to administer the CDBG-DR and CDBG-MIT and CDBG-MIT grants. For the purposes of this document, the Grantee is OHCS.

Implementation and Performance Risk Analysis: This analysis is performed three months after the contract/agreement is executed and quarterly thereafter by ReOregon Program Staff helps Compliance staff prioritize Monitoring Events based on ongoing performance.

Monitored Entity: An entity (OHCS, Subrecipient or Contractor) subject to a monitoring event.

Monitoring Concern: A deficiency in program performance which should be brought to the attention of the monitored entity and pertinent OHCS staff, and if not properly addressed, may become a Finding.

Monitoring Checklists: A series of checklists based on the HUD Community Planning and Development (CPD) Monitoring Handbook (6509.2 Rev-6) used by OHCS CDBG-DR and CDBG-MIT Compliance Staff during the monitoring event to assist with review of compliance with requirements.

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Monitoring Event: An event conducted by the OHCS CDBG-DR and CDBG-MIT compliance staff to review monitored entities, programmatic areas and/or the OHCS CDBG-DR and CDBG-MIT OHCS Finance staff compliance with applicable regulations and requirements.

Monitoring Event Type: Monthly Performance Review, Desk Review, On-site Review, and Remote Review.

Monitoring Finding: A violation of a statutory, regulatory or program requirement for which sanctions or other required corrective actions are authorized.

Monitoring Observation: A comment about an area or topic where the monitored entity and/or OHCS can improve program performance or recognize exceptional success and best practices.

Monitoring Report: A report issued to a monitored entity (if a subrecipient), programmatic area and/or OHCS Finance Division detailing the results of a monitoring event.

Monitoring Report Type: Monitoring Reports can be issued to the monitored entity, the programmatic area, or the OHCS CDBG-DR and CDBG-MIT Finance Division.

Monitoring Strategy: Internal document that defines the scope and focus of desk, on-site, and remote monitoring events created by Compliance staff.

Non-Compliance Letter: A letter issued to the monitored entity for failure to respond to a monitoring report in a timely manner.

Notification Letter: A letter sent to the monitored entity to inform them of an upcoming monitoring event.

Neighborly: a web-based Grant Management System used for applicant intake, eligibility, award, budget, draw requests, progress tracking, and several other program implementation tools. Also, the applicant system of record (SOR).

On-site Monitoring Event: A monitoring event that occurs at the location of the monitored entity for all high-risk and select medium-risk grantees.

Remote Monitoring Event: A monitoring event that includes the full scope of an On-site Monitoring Event but must be conducted remotely due to extenuating circumstances that prevent the event from being conducted on-site (e.g., COVID-19).

ReOregon: The effort to utilize Federal funds from a Community Block Development Grant-Disaster Recovery (CBDG-DR) for new programs to help individuals, households,

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and communities continue to recover and provide new permanent housing in the areas most impacted by the fires.

Oregon Housing and Community Services: Oregon Housing and Community Services (OHCS) is the grantee for Oregon's CDBG-DR funds.

OHCS CDBG-DR and CDBG-MIT Finance Section: The OHCS team responsible for adhering to Federal and local accounting regulations and requirements.

OHCS and CDBG-MIT Compliance Section: The OHCS team responsible for executing the tasks outlined in this manual.

Pre-Construction Meeting: project management, finance, and contractor staff must be involved, along with the possible inclusion of construction managers and specialist compliance contractors (e.g., Davis Bacon, Section 3).

Pre-Procurement Meeting: include all relevant project management staff from the implementing agency or subrecipient, along with any additional expertise that might be necessary ReOregon Program Staff

Remote Monitoring Event: A monitoring event that includes the full scope of an On-site Monitoring Event but must be conducted remotely due to extenuating circumstances that prevent the event from being conducted on-site (e.g., COVID-19).

Risk Assessment Process: Identifies the risk for fraud, waste, abuse, and non-compliance of each entity carrying out CDBG-DR and CDBG-MIT funded activities.

Subrecipient: An entity, usually but not limited to non-Federal entities, that receives a CDBG-DR and/or CDBG-MIT subaward from OHCS to carry out specific eligible activities. Does not include an individual that is a beneficiary of a subaward. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

Written Agreement: An agreement (e.g., contract or subrecipient agreement) that obligates the parties to expend or distribute CDBG-DR and CDBG-MIT funds and undertake responsibilities as set forth in the agreement.

Acronyms

CDBG-DR: Community Development Block Grant – Disaster Recovery

CDBG-MIT: Community Development Block Grant – Mitigation

CPD: Community and Planning Development

DRR: OHCS Disaster Recovery and Resiliency Division

DRGR: Disaster Recovery Grant Reporting system (HUD system)

FRN: Federal Register Notice

HUD: The United States Department of Housing and Urban Development

OHCS: Oregon Housing and Community Services

SOP: Standard Operating Procedures

SOR: System of Record

SRA: Subrecipient Agreement

Overview

The following regulations and grant agreement conditions require Oregon Housing and Community Services (OHCS), as grantee, to monitor each program, function or activity funded by its Community Development Block Grant – Disaster Recovery (CDBG-DR) and its Community Development Block Grant – Mitigation (CDBG-MIT) awards. Monitoring of the programs occurs to ensure compliance with applicable State and Federal requirements and to determine if performance expectations are being achieved. This includes monitoring of CDBG-DR and CDBG-MIT funded activities carried out by subrecipients, contractors and OHCS directly.

- 2 CFR § 200.329 – Monitoring and Reporting Program Performance. Requires OHCS to monitor each program, function or activity funded by its CDBG-DR and CDBG-MIT awards to ensure compliance with applicable Federal requirements and determine if performance expectations are being achieved.

- 2 CFR § 200.332 – Requires OHCS to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the risk posed by the subrecipient. OHCS must also monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

- 24 CFR § 570.492 – State's Review's and Audits. Requires OHCS to make reviews of units of general local government to meet the requirements of section 104(e)(2) of Title I of the Housing and Community Development Act of 1974 (HCDA), a performance and evaluation report of the auditee's use of grant funds. Also requires OHCS, in the case of noncompliance, to take such actions as may be appropriate to prevent a continuance of the deficiency, mitigate any adverse effects or consequences and prevent a recurrence, and to establish remedies for subrecipient's noncompliance.

- Federal Register Vol. 83, No. 28 (February 9, 2018), 83 FR 5844, VI A 1 a (6) – Requires OHCS to prepare and submit adequate procedures to detect and prevent fraud, waste, and abuse that: Indicate how OHCS will verify the accuracy of information provided by applicants; and provide a monitoring policy indicating how and why monitoring is conducted, the frequency of monitoring and which items are monitored.

- Grant Agreement – Requires OHCS to develop a monitoring plan for overseeing the performance of subrecipients, including: an evaluation on the subrecipient's risk of non-compliance with rules and regulations; and a plan to monitor subrecipient activities to ensure subawards are used in compliance with rules and regulation and performance goals are achieved.

Purpose

OHCS, as Grantee, is committed to the administration of its awards in compliance with all applicable laws and regulations and in a financially accountable manner for the efficient use of all funds provided by HUD. During the CDBG-DR and CDBG-MIT grants, OHCS will continually monitor the use of funds by OHCS staff directly administering programs, Subrecipients, and Subgrantees' to ensure adherence to, and consistency with, the corresponding Action Plan, as well as meeting the performance and timeliness objectives contained in the Action Plan and in OHCS's policies and procedures. A material failure to comply with OHCS's Action Plan, as approved by HUD, its policies, guides, or procedures, will prompt OHCS to exercise any of the corrective or remedial actions authorized by CDBG regulations. Including corrective and remedial actions of 2 CFR § 200.339 through 343, or under subpart C, D or F of the CDBG regulations at 2 CFR part 200.1.

Compliance training and reviews are used to ensure that all entities responsible for the administration of CDBG-DR and CDBG-MIT funds are knowledgeable of the laws, regulations, and cross-cutting Federal requirements that govern the use of these funds. Entities using CDBG-DR and CDBG-MIT funding to carry out eligible activities will receive training and technical assistance from the Compliance staff, as well as tools, templates, checklists to facilitate the proper administration of Federal funds.

Monitoring is the principal means by which OHCS, as Grantee of the CDBG-DR and CDBG-MIT funds, ensures that programs and technical areas are carried out efficiently, effectively, and in compliance with applicable laws and regulations. Monitoring aims to assist CDBG-DR and CDBG-MIT funded programs with improving performance, increasing capacity, and avoiding or remedying instances of non-compliance. Monitoring also provides a means to offer technical assistance for existing, or upcoming changes to, requirements and regulations. Monitoring is not limited to a one-time event but is rather an ongoing process that assesses the quality of CDBG-DR and CDBG-MIT funded program performance over the life of the contract or subrecipient agreement and involves continuous communication and evaluation. Monitoring aims to:

- Gauge the effectiveness and progress of monitored entities in meeting the program objectives, goals, and requirements set forth in written agreements;
- Assist management in identifying issues that may compromise program integrity, funding, and service delivery for remediation;
- Identify opportunities to strengthen program capacity and quality of service delivery; and
- Ensure that programs are operating efficiently and effectively, and that CDBG-DR and CDBG-MIT funds are used appropriately.

This Compliance and Monitoring Manual allows the OHCS CDBG-DR and CDBG-MIT Compliance Staff and ReOregon Program Staff to carry out compliance and monitoring activities uniformly, effectively, and compliantly. This Compliance and Monitoring Manual may be updated, as needed, based on program design and changes to Federal and local policies and requirements over the life of the grants.

Related Forms and Documents

Forms and documents related to this Compliance and Monitoring Manual including forms, templates, monitoring checklist and other related Policies or Standard Operating Procedures (SOPs) can be found on the ReOregon website.

Roles and Responsibilities

As the lead agency for administering the State of Oregon's CDBG-DR and CDBG-MIT funds, OHCS Disaster Recovery and Resiliency division leads all monitoring efforts to ensure that OHCS staff directly administering programs, Subrecipients, and Subgrantees', and ReOregon Program Staff comply with all regulations governing administrative, financial and programmatic operations and that they achieve performance objectives on time and within budget.
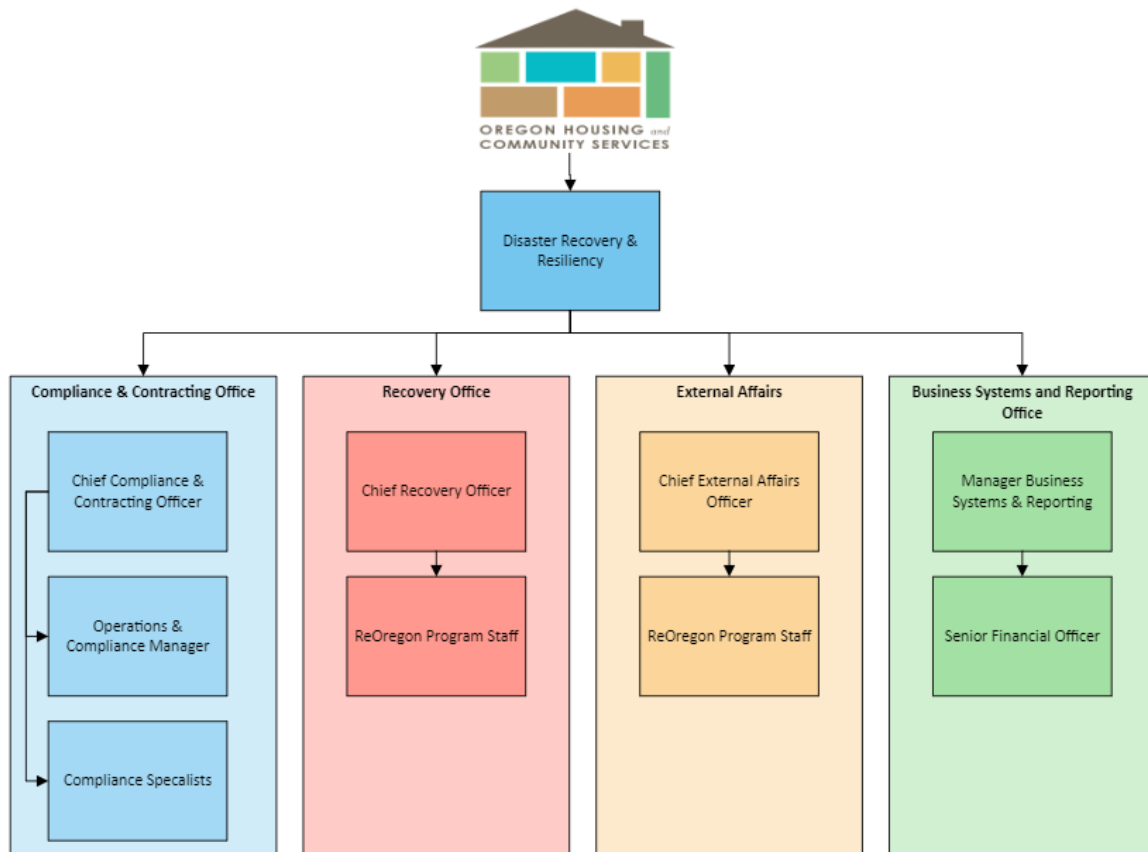
Within DRR, monitoring is the responsibility of the Operations and Compliance Manager and Compliance staff with oversight by the Chief Contracting and Compliance Officer.

In order to determine the frequency of monitoring activities, which will include a focus on technical assistance and capacity building, the Operations and Compliance Manager will review Capacity and Risk Assessments and supporting documents for each subrecipient prior to executing the agreements, review risk levels, establish training and technical assistance schedules, provide support for pre-procurement and pre-construction meetings, and establish annual monitoring schedule and technical assistance frequency.

The primary role of Compliance staff is to provide training and technical assistance to ensure compliance with program policies, state and Federal requirements; and to perform regular monitoring of OHCS's subrecipients and programs managed directly by OHCS. Additionally, Compliance staff will work directly with ReOregon Program Staff to conduct quarterly Implementation and Performance Risk Analysis to determine if additional monitoring and training is needed based on ongoing performance throughout the grant cycle.

Below are additional responsibilities.

Chief Compliance and Contracting Officer

Responsible for overseeing the Operations and Compliance Manager and Compliance staff to ensure that the Action Plan is followed and that subrecipients and all OHCS DRR program implementation contractors and vendors are held to the regulations and requirements on CDBG-DR and CDBG-MIT programs. The below list of responsibilities may not be all-inclusive as additional duties may be required as the Programs evolve during the grant cycles:

- Approves the Capacity and Risk Assessment.
- Approves the Annual Monitoring Plan.
- Approves Monitoring Reports and Non-Compliance Letters.
- Approves Corrective Action Plan mitigation and Clearance Letters.
- Convene Pre-Procurement and Pre-Construction Meetings.
- Provides oversight and guidance for procurement activities.
- Provides updates to Senior staff.

Operations and Compliance Manager

Responsible for managing the DRR compliance program; specifically,

- Reviews the Capacity and Risk Assessment.

- Creates Annual Monitoring Plan and regularly updates to track Monitoring Events and implementation verification.
- Reviews recommendation of findings, concerns, and observations provided by Compliance staff.
- Reviews Monitoring Reports, Corrective Action Plans, Non-Compliance Letters, and Clearance Letters.
- Reviews and approves Monitoring Event Monitoring Checklists in planning and after implementation verification.
- Reviews implementation verification conducted Compliance staff for Corrective Action Plans.
- Tracks monitoring findings or concerns and resolutions and updates the Capacity and Risk Assessment and Annual Monitoring Plan as needed.
- Provides technical assistance and guidance to Compliance staff, ReOregon Program Staff, and Monitored Entities.
- Prepares and maintains compliance team templates.
- Validates Monitoring Event Closeout procedures.

Compliance Staff

Inspects grant activities to determine compliance with Federal and State laws, regulations, rules, and guidelines relative to the use of CDBG-DR and CDBG-MIT grant funds, including regulations governing administrative, financial, programmatic operations, and that Monitored Entities achieve performance objectives on time and within budget. Monitoring responsibilities include:

- Conducts Desk, On-Site, and Remote Monitoring events in accordance with the Annual Monitoring Plan for all CDBG-DR and CDBG-MIT funded programs.
- Completes Monitoring Checklists.
- Prepares Notification Letters, conducts Entrance and Exit Conferences, and writes Monitoring Reports for all Monitoring Events.
- Disseminates Monitoring Reports to Monitored Entities or Programs.
- Reviews and approves Corrective Action Plan mitigation and prepares Clearance Letters.
- Updates Monitored Entity file to complete/close monitoring.
- Recommends overall risk levels after reviewing Capacity and Risk Assessment, project size and documentation to the Operations and Compliance Manager.
- Updates Capacity and Risk Assessment and discusses revised risk levels and monitoring results with the Operations and Compliance Manager.
- Provides technical assistance and guidance to Monitored Entities.

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- Consults and coordinates with ReOregon Program Staff to effectively carry out training, technical assistance, monitoring events, and communicates overall status of monitoring events.

ReOregon Program Staff

Monitor Subrecipient financial and performance reports and are the front line to ensure grant and regulatory compliance. Potential ReOregon Program Staff support activities include, but not limited to the following:

- Conduct the Implementation and Performance Risk Analysis for each subrecipient on a quarterly basis.
- Support technical assistance and training activities as needed (e.g., assist in conducting portions of training or technical assistance to Subrecipients or contractor as requested by Compliance staff, to ensure a Monitored Entity program compliance and performance metrics are being adhered to within daily programmatic and operational tasks).
- Inform Compliance staff of program-led or other technical assistance and training activities (e.g., subrecipient onboarding, to discuss cross-cutting requirements, providing technical assistance to address or resolve a potentially noncompliance issue which arose suddenly within the program or project).
- Ensure that Monitored Entities prepare and submit monthly financial and activity reports.
- Providing support to Compliance staff on Monitored Entity and project information.
- Alert Operations and Compliance Manager of any situation that may require Compliance staff to perform a level of monitoring.
- Assist with Monitoring Reports, Corrective Action Plan mitigation effort review, and clearance as appropriate.

Monitored Entities

Responsible for delivering HUD funded grant activities described in the scope of work. Some subrecipients have multiple activities and some activities are more complex, so monitoring requirements will vary. At a minimum, subrecipients are responsible for:

- Complying with the terms and conditions of the Subrecipient Agreements with OHCS.
- Following procurement processes in accordance with 2 CFR 200.318-326 or local standards if higher.
- Monitoring any subgrantee for Federal compliance standards.
- Monitoring construction contractors for equal opportunity, Federal and state labor standards, and Section 3 requirements.

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- Performing sufficient financial controls to ensure CDBG-DR and CDBG-MIT costs are eligible, allowable, reasonable, and allocable.
- Documenting grant compliance for all activities.
- Organizing grant files in preparation for monitoring and provide documentation requested from OHCS DRR staff for Monitoring Events.

Summary of Monitoring Activities

DRR performs the following monitoring activities:

- **Capacity and Risk Assessment** – This assessment evaluates potential subrecipients prior to entering into a Subrecipient Agreement with OHCS. The purpose of this assessment is to evaluate a Subrecipient's capacity to implement CDBG-DR and CDBG-MIT activities in compliance with program requirements and applicable rules and regulations. It will aid the OHCS Compliance staff in prioritizing Monitoring Events based on its risk of noncompliance. Findings from this assessment may serve to inform additional specific grant conditions in the SRA.

- **Technical Assistance and Training** – The provision of technical assistance and training is primarily the responsibility of ReOregon Program Staff. However, Compliance staff provide additional technical assistance and training related to compliance once the Capacity and Risk Assessment is complete, agreements are signed, and during Monitoring Events. Program checklists are provided to those implementing programs to ensure that all regulatory requirements are met and the proper documentation obtained for all activities.

- **Implementation and Performance Risk Analysis** – This analysis is performed three months after the contract/agreement is executed and quarterly thereafter by ReOregon Program Staff helps Compliance staff prioritize Monitoring Events and offer technical assistance based on ongoing performance.

- **Monitoring Events** – Monitoring Events allow the OHCS Compliance staff to evaluate monitored entities for compliance with programmatic and legal requirements. Monitoring events can be conducted on-site or remotely.

- **Closeout Procedures** – Determination that all applicable administrative actions and all required work of the Federal award have been completed by the Monitored Entity.

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- **Reporting and Record Keeping** – OHCS Compliance staff maintains records of all monitoring activities, and submits reports to HUD via the Disaster Recovery Grant Reporting (DRGR) system.

Capacity and Risk Assessment

The OHCS Compliance staff perform Capacity and Risk Assessment to evaluate the Monitored Entities control environment in accordance with 2 CFR 200, 24 C.F.R 570.502 and 2 CFR 570.610. This risk evaluation includes assessing grant management history, program and activity experience, staffing capacity and experience, financial processes, and knowledge of relevant rules and regulations.

This assessment is a useful tool to identify ways to improve capability, efficiency, and effectiveness of disaster recovery operations prior to awarding CDBG-DR and CDBG-MIT funds. This is done, in part, by evaluating past and current experience complying with rules and regulations applicable to potential funded activities. The Capacity and Risk Assessment is due before any contract or agreement is executed. Overall score will determine risk level and inform overall monitoring schedule for the upcoming year. The results of the assessment are used to provide recommendations to a programmatic area to proactively identify and remedy the risk of non-compliance prior to awarding funds. Potential mitigating actions may include, but are not limited to:

- Provisions of technical assistance and/or training.
- Inclusion of Risk-based requirements adjustment in the subrecipient agreement (special conditions or required trainings/certifications).
- Enhanced monitoring.

Uniform administrative requirements in 2 CFR 200.208 and 2 CFR 200.206(b) allow OHCS to impose grant conditions as needed, based on OHCS's framework for evaluating risks posed by subrecipients and on HUD's guidance on assessing Subrecipient capacity before signing an SRA.

The results of the assessment will utilize both numerical and color code systems corresponding to areas which pose the high, medium, and low risk to compliance with HUD grant conditions and overall grant management activities. The visual system will assist in making management decisions on how to address areas, specific or overarching, to avoid weaknesses or grant compliance issues from becoming severe.

The Capacity and Risk Assessment factors in questionnaire responses, supporting documentation provided by the Monitored Entity, and programmatic details regarding the size and experience of the Monitored Entity. The score will be shared with the Monitored Entity and Compliance staff will meet with the ReOregon Program Staff

and/or the Monitored Entity to identify concerns and the training, technical assistance, and possible grant conditions that will be provided to mitigate risk.

The Operational and Compliance Manager will review risk scores at minimum in July and December to factor in the Implementation and Performance Risk Analysis and Monitoring Event results to ensure that Monitored Entities are receiving the necessary support and guidance to deliver projects successfully.

Training and Technical Assistance

The areas outlined below provide a general sense of frequency considered when scheduling subrecipient training, technical assistance, and monitoring activities throughout the program year:

Training

This type of support is designated to increase knowledge and skills of Monitored Entities and OHCS ReOregon Program Staff directly implementing programs. Often, this activity will cover the basics of CDBG-DR and CDBG-MIT, cross-cutting regulations, and applicable Federal Register Notices required to administer a DR or MIT funded grant. It can be offered to group and individuals. Training will be provided throughout the year by OHCS DRR staff, HUD, or other third parties in the form of a webinar, self-guided module, or in-person workshop. It typically casts a broader net than technical assistance delivery. Due to the amount of time and effort a training will take, it should be conducted less frequently than technical assistance. OHCS DRR staff will determine how training will be handled in terms of how many topics to cover per training.

Training is posted on the public Re.Oregon website by External Affairs staff and provided to subrecipients in their "Toolkit".

Technical Assistance

This activity is typically less formal than training and more focused on a specific area that a Monitored Entity or ReOregon Program Staff need to cover. Successful delivery of technical assistance addresses the most common challenges revealed in the oversight of subrecipients and effectively increases local grant management capacity and improves performance. OHCS DRR staff identify technical assistance needs through a review of Capacity and Risk assessment results, quality of reports, monitoring event results, and Monitored Entity or ReOregon Program Staff request. Since technical assistance is typically less comprehensive compared to trainings, it should be performed more frequently than trainings. The nature and extent of technical assistance is determined by OHCS DRR staff. Some examples of technical assistance include:

- Financial controls and processes
- Procurement

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- Labor Standards Compliance
- Reporting
- Document Retention

Compliance Team maintains a Capacity Building Tracker in smartsheet to track formal training offered to Subrecipients and DRR staff in addition to technical assistance provided by the Compliance Team to subrecipients and ReOregon Program Staff. The Operations and Compliance Manager ensures that capacity building and technical assistance are entered into DRGR at least quarterly.

Implementation and Performance Risk Analysis

In addition to the Capacity and Risk Assessment, and consistent with HUD requirements, the assigned ReOregon Program Staff will conduct an Implementation and Performance Risk Analysis on all entities implementing CDBG-DR and CDBG-MIT funded activities. This includes Contractors, Subrecipients and OHCS (in instances where OHCS is implementing activities directly). The Implementation and Performance Risk Analysis is performed 3 months after executed agreement and quarterly thereafter. This approach provides a means by which the OHCS Compliance section can identify the risk of fraud, waste, abuse, and non-compliance for each entity implementing CDBG-DR and CDBG-MIT funded activities.

Annual Monitoring Plan

The Compliance Team maintains an Annual Monitoring Plan that identifies the timing and scope of monitoring events for Subrecipients and DRR. Based on the results of the assessments conducted for each entity, an Annual Monitoring Plan is developed which identifies:

- Projected Monitoring Events for the upcoming calendar year and the projects/activities included for monitoring;
- The type of monitoring event (Desk, On-Site, or Remote) for each Subrecipient and DRR.
- Projected timeline for Monitoring Events, in order of priority based on entities' risk assessment scores (highest risk entities will go first); and
- Projected staffing resources needed for each Monitoring Event.

Entities are included in the Annual Monitoring Plan once the written agreement is executed. The current Annual Monitoring Plan is posted on a smartsheet dashboard and older versions are archived and maintained. In July of each year, the Annual Monitoring Plan will be updated to include the results of additional risk analysis performed throughout the year for all entities.

Monitoring Events

The monitoring process will follow Annual Monitoring Plan and represents the key method of oversight of Monitored Entities and ReOregon Program Staff charged with implementing all or parts of CBDG-DR programs. It is both an integral management control technique and an ongoing process to assess quality of performance over time. More specifically, monitoring ensures that the State manages the Federal awards in compliance with Federal statutes, regulations and the terms and conditions.

There are different of Monitoring Events that can be performed:

Monitoring Event	Description	Cadence	Performed By	Applicability
Monthly Performance Review	Review performance reports and requests for reimbursement to ensure they meet the terms as stated in the corresponding executed agreement.	Monthly	ReOregon Program Staff	All Monitored Entities
Implementation and Performance Risk Analysis	Quarterly assessment provided to Compliance Team regarding subrecipient performance.	Quarterly	ReOregon Program Staff	All Monitored Entities
Desk Review	Used to determine if projects or activities are in compliance with their budget and performance objectives according to their agreement with the OHCS, and that expenses are eligible and sufficient documentation is provided.	Subrecipients: At Least Annually from the first invoice submitted.

DRR Internal Controls as determined by Compliance Team and staff availability.

DRR Expenditure Reviews will be conducted 2 quarters at a time and subject to staff availability. | Compliance Staff | DRR Internal Controls and All Monitored Entities |
| On-Site Review | Detailed reviews of Monitored Entities, programmatic areas and/or the OHCS CDBG-DR and CDBG-MIT OHCS Finance staff for compliance with applicable regulations and requirements. | | Compliance Staff | High and select medium risk Monitored Entities |
| Remote Review | Same as an On-Site review but conducted remotely due to extenuating circumstances that prevent the event from being conducted on-site (e.g., COVID-19). | | Compliance Staff | High and select medium risk Monitored Entities |

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To ensure compliance at all levels (i.e., OHCS CDBG-DR and CDBG-MIT ReOregon Program Staff, OHCS CDBG-DR and CDBG-MIT Finance staff, Subrecipients and Contractors) all Monitoring Events will focus not only on the Monitored Entity, but also on relevant OHCS CDBG-DR and CDBG-MIT programmatic and finance areas.

Monitoring Event Triggers

Once in the Annual Monitoring Plan, all entities receiving CDBG-DR and CDBG-MIT funds can be subject to a Monitoring Event within 90 days of contract execution. Ideally the subrecipient and contractor would be reviewed after invoices have been submitted, however, if there is a delay in invoicing, they may be subject to a two annual reviews, one for compliance with subrecipient agreement and an expenditure review after invoices have been submitted. The entity's overall risk score and performance reporting determines the cadence of Monitoring Events.

Monitoring Event Process Overview

The following Figure shows each action that will take place for the three Monitoring Events conducted by Compliance Staff. These processes are presented in detail later in this Manual.

Planning	Preliminary Document Review	Monitoring Strategy	Pre-Monitoring Call	Notification Letter		
Fieldwork	Document Review	Entrance Conference	Interviews	Testing	Identify and Confirm Potential Issues	Exit Conference
Reporting	Corrective Action Plan	Draft Report	Entity Response	Report Distribution	Monitoring Event Closeout	
Implementation Verification	Implementation Review	Clearance Letter				

Annual Monitoring Plan

All Monitoring Events will be registered in the Annual Monitoring Plan. This plan will allow access to information on scheduled events and their corresponding status. The OHCS Compliance team will update the plan, inclusive of key information and deadlines associated with each Monitoring Event, any findings and concerns, and the status of each activity associated to a Monitoring Event.

For example, the plan reflects, for each Monitoring Event, key information on all including findings, concerns, follow-up, and every other step related to a Monitoring Event. The plan includes sections on DRR and subrecipient monitoring.

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Closeout Procedures

DRR conducts closeout of the Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed.

Agreement and Contract Closeout

ReOregon Program Staff will work with Subrecipients and contractors to ensure all closeout requirements, as described in the agreement, are met prior to releasing the final payment. ReOregon Program Staff will close out the agreement when it determines that the subrecipient has completed all eligible activities and achieved the appropriate national objective, in accordance with the terms and conditions of the agreement, program policies, and local and Federal requirements or that OHCS DRR has determined that there is no further benefit in keeping the agreement open to secure performance. The subrecipient's obligation to OHCS DRR shall not end until all closeout requirements are met.

Prior to closeout, ReOregon Program Staff will review the agreement in place for the activities being closed out to determine if there are any provisions related to the Subrecipient or contractors obligation to carry out the relevant project. If there are any provisions related to the project's close out, the agreement will be updated to revise those provisions and indicate that the project is completed, and all required closeout documentation was provided to OHCS DRR.

As part of the Closeout Process, Subrecipients and ReOregon Program Staff, are responsible for complying with the following requirements:

- Subrecipients and ReOregon Program Staff must transmit to OHCS DRR all records that are sufficient to demonstrate that all costs incurred by the subrecipient met the requirements of the subrecipient agreement and the OHCS DRR Financial Policy.
- Subrecipients and ReOregon Program Staff shall maintain financial records, supporting documents, statistical records, and any other records pertinent to any subaward for the longer of three (3) years after the termination of the subrecipient agreement with OHCS DRR, or five (5) years after the closeout of the CDBG-DR or CDBG-MIT/MIT grant agreement between OHCS DRR and HUD, as applicable.
- Subrecipient's and ReOregon Program Staff must execute all final payments related to the grant to corresponding vendors and employees prior to final payment.
- Subrecipients and ReOregon Program Staff must resolve all outstanding findings issued by OHCS DRR, HUD, and HUD OIG.

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- Subrecipients and ReOregon Program Staff must repay all funds subject to recapture.
- Subrecipients must forfeit any unspent CDBG-DR or CDBG-MIT funds.
- Subrecipient or ReOregon Program Staff must dispose of all program assets, including the return to OHCS DRR of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivables attributable to the use of CDBG-DR or CDBG-MIT/MIT funds; and
- Any real property under the Subrecipient's control that was acquired or improved in whole or in part with CDBG-DR or CDBG-MIT funds (including funds provided to the Subrecipient in the form of a loan) shall be treated in accordance with 24 CFR § 570.503 (b)(7).

Grant Closeout

Additional details on Grant Closeout can be found in our OHCS DRR Closeout Policy published on ReOregon Website.

Reporting and Recordkeeping

Maintaining adequate documentation to support the work performed is critical to the monitoring process. In addition to the Annual Monitoring Plan, Compliance staff will develop a digital monitoring file for each Monitored Entity to demonstrate that adequate oversight was conducted. Files will be organized so that documentation is easily retrieved and contain following information, at a minimum:

- Copies of all formal communication and emails to/from the Monitoring Entity:
  - o Notification Letter
  - o Monitoring Report
  - o Corrective Action Plan
  - o Clearance Letter
  - o Letters of Non-Compliance
- Closeout Letter.
- Copies of the completed and signed Monitoring Checklists.
- Evidence of technical assistance provided.
- Supporting documentation obtained prior to, during and after the monitoring events from all parties.
- Copies of documentation related to the resolution of findings.

OHCS is required to enter monitoring and technical assistance events in the DRGR system. The Annual Monitoring Plan will contain all the information necessary to enter required information into the DRGR System.

Monthly Performance Review

ReOregon Program Staff will review all performance reports and requests for reimbursement on a monthly basis to ensure they meet the terms as stated in the corresponding executed agreement. By a contractually set day of each month. Monitored Entities must submit their expenditure report (reimbursement request) and performance reports (deliverables). All reports are date stamped to reflect the reporting month. OHCS DRR team should strive to review all requests for reimbursement within 45 business days from the date they are received. Performance reports are reviewed by ReOregon Program Staff within 45 business days from the date they are received.

Monthly and quarterly reports are reviewed for the following:

1. **Timeliness** – All reports should be submitted according to deliverable due dates in the executed agreement. Late report submissions are noted on the appropriate individual contract administration plan developed by the ReOregon Program Staff. Entity that submits three or more monthly reports that are late are noted on Annual Monitoring Plan for on-site monitoring purposes.

2. **Completeness** – Reports are reviewed by OHCS DRR ReOregon Program Staff to ensure that all forms are filled out and that all financial verification is provided. Entity that submits three months or more of incomplete or inaccurate reports are noted on the Annual Monitoring Plan for on-site monitoring purposes.

3. **Substantiated** – Expenditures are monitored to ensure that they accurately reflect the individual line items in the entity's submitted budget at the beginning of the project/program period to ensure consistency with the contractual agreement. Performance reports are reviewed to ensure services are being provided in accordance with the executed agreement.

4. **Accuracy** – The OHCS DRR team compares current report to the previous month's report as well as deliverables schedule if applicable, to ensure that all required elements are included and reported correctly.

If there is issue with any reporting schedule or content of reports, ReOregon Program Staff must notify Compliance staff to initiate either Desk or Onsite Monitoring.

Desk and On-Site Monitoring Events

Planning	Preliminary Document Review	Meet with Programmatic Team(s)	Monitoring Strategy	Pre-Monitoring Call	Notification Letter	
Fieldwork	Document Review	Entrance Conference	Interviews	Testing	Identify and Confirm Potential Issues	Exit Conference
Reporting	Corrective Action Plan	Draft Report	Entity Response	Report Distribution	Monitoring Event Closeout	
Implementation Verification	Implementation Review	Clearance Letter				

Desk Monitoring is typically conducted for low to medium risk entities who pose the least amount of risk to OHCD DRR and its grant with HUD. Special circumstances may arise that require special desk monitoring for a high-risk entity, e.g., a news report related to a DR funded project where actions may require a special on-site monitoring.

Desk Monitoring can either be area specific (e.g., procurement and contracting, environmental, labor standards compliance) or a comprehensive review of the project of the CDBG-DR or CDBG-MIT Programs administered by Monitored Entity with grant funds. Desk Monitoring also serves to assess compliance and potential training/technical assistance needs to become compliant and maintain proper administration within acceptable compliance standards as set in Federal and state regulations, rules, and applicable guidance (provided either by OHCS DRR or HUD, or other Federal Agencies).

The On-Site Monitoring Events are performed for all high-risk and select medium-risk subrecipients. These full-scope audits that can take place at the location of the Monitored Entity or remotely due to extenuating circumstances.

Monitoring Event involves four distinct phases: planning, fieldwork, reporting, and implementation validation. These phases are described in detail below:

Planning

Compliance staff should obtain an understanding of the nature of the area(s) under review to get a better understanding of the program(s) and any special conditions.

During Planning Compliance staff will review background documentation, speak with the program staff to inform the Monitoring Strategy.

Preliminary Document Review

To the greatest extent feasible, these documents should be reviewed prior to the Monitoring Event to maximize the time available for reviewing documents during the Monitoring Event, especially if an On-Site event will be conducted remotely due to extenuating circumstances (e.g., COVID-19). Any potential deficiencies or evidence of non-compliance identified from the review of documentation prior to the Monitoring Event will be incorporated into the Monitoring Strategy or the Monitoring Report.

Compliance staff should review the following:

- Monitored Entities Single Audit (on file), if applicable.
- Capacity and Risk Assessment, Implementation and Performance Risk Analysis, and Monthly Performance Review by ReOregon Program Staff to obtain visibility sensitivity, and relevant risks associated with the review.
- The SRA, including amendments if applicable, to identify special provisions and the size of the grant in terms of total dollars, number citizens affected, or other measures.
- Drawdown requests.
- Documentation of previous monitoring(s), including open findings.
- Copies of any audit reports of the Monitored Entity.
- The requirements of the CDBG-DR or CDBG-MIT program.
- FRN requirements applicable to the DR or MIT program and any applicable waivers.
- Other Federal regulatory guidance, such as Uniform Administrative Requirements, cost principles, and audit requirements outlined in 2 CFR 200.
- Specific conditions as stated in 2 CFR 200.205 and 200.207 respectively to mitigate the risk of the grant.
- Program specific policies and procedures.
- Any external factors or conditions that could directly affect the grant (e.g. news articles or staffing changes).

Meetings with Programmatic Teams

Prior to a Monitoring Event, the Compliance team should meet with relevant DRR program area(s) to develop the Monitoring Strategy to collect relevant information and documentation needed for the monitoring event.

Monitoring Strategy

A written Monitoring Strategy will be developed for each Monitored Entity to further define the scope and focus of each Monitoring Event. This document will outline the steps Compliance staff will take to achieve review objectives. Information from the Strategy will be used to guide the review process and establish the foundation of the

Notification Letter, Document Request Checklist, and subsequent reporting. Specifically, the Monitoring Strategy will identify the following:

- Type of Monitoring Event
- Purpose, scope, objectives, and relevant criteria for the Monitoring Event.
- Documentation necessary to complete the Monitoring Event.
- Monitoring Checklists listing the tests and/or steps to achieve objectives.
- Review Schedule
- Documentation to be submitted by the Monitored Entity prior to the monitoring.
- Define roles and responsibilities of each OHCS staff member.
- The names and contact information of key staff of the Monitored Entity.
- Required resources (e.g., travel funds if on-site; time needed if remote).
- The programs/technical areas to be reviewed.
- Any documents or access to electronic records that will be needed for monitoring.

Pre-Monitoring Meeting

Compliance staff will conduct a Pre-Monitoring Meeting via Teams with the Monitored Entity to discuss the monitoring process and information reviewed during the Monitoring Event. During the call they should introduce the monitoring team, confirm the appropriate contacts and availability to provide documentation, and discuss the items addressed in the Notification Letter which will be sent after the meeting.

A Pre-Monitoring Meeting will also be scheduled for internal DRR reviews but may be more informal.

Notification Letter

Once the date of the Monitoring Strategy is finalized a Notification Letter will be sent to the Monitored Entity. A Notification Letter shall be sent by the Compliance staff notifying the Monitored Entity no later than 30 days prior to the start of monitoring.

Notification Letters for internal DRR reviews will include all the elements presented below but the timeframe is negotiable and cannot exceed 30-days.

The timeframe from notification letter to the commencement of desk monitoring allows a sufficient period for the subrecipient or ReOregon Program Staff to organize monitoring documentation, review their policies and procedures, and validate internal controls they determine to be appropriate in advance of the monitoring. The letter includes the following:

- Purpose, scope, and objectives.

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- Entity responsibilities.
- Program areas and compliance standards to be reviewed.
- Document Request Checklist and method(s) for providing the documentation to the OHCS DRR office.
- Review Schedule including the date and time of the visit, or a statement indicating the event will be conducted remotely inclusive of a time and date for the virtual meeting.
- Technical assistance to be provided, if applicable.
- Contact information of OHCS Compliance staff.
- A request for adequate workspace to review files and for meetings with key personnel.

Fieldwork

In the Fieldwork phase Compliance staff will follow h Monitoring Strategy to analyze the information provided to determine if controls are working as intended. Throughout the Monitoring Event, the monitoring team will complete the checklists and include their notes related to file review and key personnel interviews. Throughout Fieldwork, the monitoring team will maintain an on-going dialogue with the Monitored Entity. This is intended to keep the entity informed of monitoring progress, as well as enable discussions of any problem areas encountered; providing to the entity with an opportunity to react to preliminary findings and concerns and minimize the potential for surprises during the exit conference or in the Monitoring Report.

Document Review

Once the Monitored Entity returns the completed Document Request Checklist with supporting documentation, Compliance staff shall perform a preliminary review to determine that all requested documentation has been provided. In accordance with purpose and objectives, Compliance staff may exercise their judgement to determine if additional, reasonable guidance would improve monitoring results or if the documentation is satisfactory for compliance verification.

Entrance Conference

An entrance conference will be held at the start of an On-Site or Remote Monitoring Event. This meeting should include key personnel from the Monitored Entity such as the director, finance, and ReOregon Program Staff. During this meeting, Compliance staff will:

- Explain the purpose, scope, and schedule of the Monitoring Event.
- Confirm key personnel that will assist during monitoring activities.
- Determine times for interviews of key personnel, including times for key personnel to be available to answer questions about files, if necessary.

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- Schedule physical inspections, if applicable; and
- Verify the programs areas to be reviewed and how access to files will be granted.

Thereafter, the monitoring team should receive access to all documents requested in the Notification Letter and the sample files selected for review. The monitoring team will use the Monitoring Checklists to perform the document and file review.

Interviews

Conduct interviews with relevant Monitored Entity staff and management to attain appropriate understanding of the Monitoring event and control environment. Compliance staff should request an overview of the monitored program(s). This will help the team become familiar with the program design, implementation, progress, and areas for improvement.

Interviews (including virtual) will be documented and as soon after the interview as possible. Each interview record contains the following information:

- Date and place of interview.
- Name, position, organization, and others present at the interview.
- Name(s) of Compliance staff present.
- Purpose of interview.
- Notes with sufficient detail to accurately reflect the interview.

Testing

Using the Monitoring Strategy Compliance staff will complete testing steps. For these steps Compliance staff must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. Staff must evaluate whether the evidence taken as a whole is sufficient and appropriate for addressing the objectives and supporting findings and conclusions.

Evidence may be physical, documentary, testimonial, or analytical.

1. **Physical** evidence is obtained through direct inspection or observation of people, property, or events. It can be documented by photographs, charts, maps, physical samples, memoranda summarizing the matters inspected or observed, and other sources. The value of physical evidence is often limited by the number of observations made, the biases of the observer, and the impact of observation on the subjects.

2. **Documentary** evidence is used heavily in performance audits and other projects. It consists of "created information" such as emails, letters, contracts, accounting records, invoices, correspondence, memoranda, and management information

on performance. It is usually more reliable, more objective, easier to assemble, and easier to document than other kinds of evidence.

3. **Testimonial** evidence is obtained through responses to inquiries, surveys, or interviews. Testimonial evidence is usually the weakest form of evidence and generally not used to support audit findings. Testimonial representations may be included in Monitoring Report but must be attributed. Whenever possible, important information from interviews is corroborated with additional evidence.

4. **Analytical** evidence is compiled by Compliance staff from other types of evidence. It includes computations, comparisons, rational arguments, interpretations, and the separation of information into components. The quality of analytical evidence depends on the accuracy and reliability of the data used, the level of detail, and the logic applied in the analysis.

Evidence used to support results must meet tests of sufficiency, relevance, and competence.

1. **Sufficiency** means that there is enough evidence to support the findings, conclusions, and recommendations of a report and persuade a reasonable person of their validity. When appropriate, statistical methods may be used to establish sufficiency.

2. **Competence** means evidence is valid, reliable, and consistent with fact. In assessing the competency of evidence, Compliance staff should consider whether the evidence is accurate, authoritative, timely, and authentic. For assessing the competence of evidence, some evidence is more competent than others. For example:

    - Evidence obtained from a credible third party is more competent than that secured from the Monitored Entity.
    - Evidence developed under an effective system of management controls is more competent than that obtained where such controls are weak or nonexistent.
    - Evidence obtained through direct physical examination, observation, computation, and inspection is more competent than that obtained indirectly.
    - Evidence from original documents is more competent evidence than from copies.
    - Testimonial evidence obtained under conditions where persons may speak freely is more competent than testimonial evidence obtained under compromising conditions.

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- Testimonial evidence obtained from an individual who is not biased or has complete knowledge about the area is more competent than testimonial evidence obtained from an individual who is biased or has only partial knowledge about the area.

3. **Relevance** means that the information has a logical and sensible relationship to the issue being addressed. Information that is not relevant is not retained as evidence. Compliance staff should ensure that documentation accumulated has direct bearing on the findings and related recommendations.

Identify and Confirm Potential Issues

Areas or topics reviewed during a Monitoring Event may result in the identification of findings, concerns, and observations for the Monitored Entity, programmatic area, and/or the OHCS DRR Finance staff responsible for the monitored area or topic.

Based on Monitoring Strategy, document review, interviews, analysis and tests Compliance staff will identify potential Findings, Concerns, or Observations of the review it is important to discuss and confirm results with appropriate Monitored Entity management.

Results can fall into three categories detailed below.

Issue Level	Definition	Reported	Tracked
Finding	A violation of a statutory, regulatory or program requirement for which sanctions or other required corrective actions are authorized.	Monitoring Report	Corrective Action Plan and factored into Capacity and Risk Assessment
Concern	A deficiency in program performance which should be brought to the attention of the monitored entity and pertinent OHCS staff, and if not properly addressed, may become a Finding.	Monitoring Report	Corrective Action Plan and factored into Capacity and Risk Assessment
Observation	Comment about an area or topic where the Monitored Entity and/or OHCS can improve program performance or recognize exceptional success and best practices.	Verbally with the Monitored Entity and Contract/Grant Administration	Factored into Capacity and Risk Assessment

It helps to identify the following elements prior to meeting with Monitored Entities.

Element	Question(s)	Definition
Condition	What is the problem/issue? What is happening?	The situation that exists and has been documented during the Monitoring Event.
Criteria	Says who? What should be?	The standards used to determine whether a program meets or exceeds expectations. Criteria provide a context for understanding the results of the Monitoring Event. Criteria should be reasonable, attainable, and relevant to the purpose, objectives, and scope of the Monitoring Event.
Cause	How or why did the condition happen?	Explains how the condition occurred.
Effect	So what? Why should we care about the condition?	Describes what happened (or could happen) because of the condition
Recommendation	How can we resolve the condition or cause?	Specific actions that will rectify the cause of the condition.

The Operations and Compliance Manager is available to discuss and advise Compliance Staff as needed.

Exit Conference
At the completion of the Monitoring Event, Compliance staff will conduct an Exit Conference with key personnel to discuss preliminary findings, concerns, and observations. This could happen prior to leaving the site, however, this may take place virtually after leaving the site to allow for Compliance staff time to conclude and prepare for a meaningful meeting. This meeting has the following objectives:

- Present preliminary results of the monitoring visit and establish a clear understanding of the results of the Monitoring Event and next steps;
- Provide an opportunity for the Monitored Entity to correct any misconceptions or misunderstandings during the exit conference;
- Secure additional information to clarify or support the position of the entity; and
- Provide an opportunity for the Monitored Entity to report any steps taken to correct any deficiencies identified throughout the Monitoring Event.

ReOregon Program Staff should be invited to the Exit Conference for informational purposes. The Operations and Compliance Manager should be invited and provide support to Compliance staff if needed.

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Reporting

The Monitoring Event could lead to different kinds of conclusions that should be documented in a Monitoring Report, including:

- Performance was adequate or exemplary.
- There were significant achievements.
- There were findings or concerns that need to be brought to the attention of the program area(s) and/or Monitored Entity; and
- Technical assistance is needed.

After the Exit Conference, Compliance staff will:

- Prepare the Monitoring Report.
- Obtain response from Monitoring Entity including Corrective Action Plan, if applicable.
- Meet with the DRR's programmatic and fiscal staff to discuss findings, concerns, and observations as necessary.
- Issue the Monitoring Report to the programmatic and fiscal staff as well as the Monitoring Entity.

Prepare Monitoring Report

The Monitoring Report should be fair, maintain a neutral tone, and strike a balance between recognizing the common goal of responsibly and effectively implementing CDBG-DR and CDBG-MIT program(s) and reinforcing the needs and requirements to correct any deficiencies. If appropriate, the letter should include significant accomplishments or positive changes to establish and/or maintain positive relationships and to recognize the dedication and commitment of the Monitored Entity's staff to the program mission.

Each area of non-compliance will be identified by a topic line and include a brief description of how the subrecipient is out of compliance with a performance or program requirement or standard. The Elements of a Finding presented in the table above will assist in framing the areas of non-compliance. Findings are recorded with specific criteria (regulatory citation) that is not being adhered to, as well as a description of the condition, cause, and effect of the finding. Where possible, references should be made to specific dates, documents, payments, costs, or activities, rather than general operations. In addition to a description of the finding.

Concerns are similar to Findings in that a deficiency in performance is identified. However, the deficiency is not in clear violation of an existing statutory, regulatory, or CDBG-DR and CDBG-MIT-specific requirement. Concerns may lead to future findings if

deficiencies are not corrected. Concerns may be more broadly described than a finding and not specifically cite a requirement. Concerns often reference a deficient process and not a deficient item. The concern does not need a corrective action plan and does not necessitate a corrective action requirement from the OHCS.

Compliance staff will prepare a draft Monitoring Report based on a template which includes the following:

- Monitored Entity
- Purpose, Objectives, and Scope.
- Findings and Recommendations.
- Technical Assistance to be provided.
- Positive remarks, accomplishments, or best practices initiated by the Monitored Entity.
- Monitored Entity response.

The Operations and Compliance Manager will review the report and evidence to ensure that the results are accurate and supported. For this reason, it is important to involve the Operations and Compliance Manager as needed.

Monitored Entity Response and Corrective Action Plan

The Monitored Entity must provide a formal response to the draft Monitoring Report which will be included in the final Monitoring Report. Entity response indicates agreement of Monitoring Event Results and establishes accountability for any actions and timelines for mitigation.

The Corrective Action Plan is a document that the Monitored Entity prepares detailing the actions they will take for resolving all Findings and Concerns. Compliance staff will provide the Corrective Action Plan template to the Monitored Entity for completion at the Exit Conference. All fields must be filled and required corrective actions must be detailed in a manner that allows the Compliance staff to clearly understand the actions the Monitored Entity will take to mitigate risk.

The Corrective Action Plan is due within 30 days from the Exit Conference. The plan for resolution and action will be reviewed by Compliance staff to ensure that all deficiencies have been adequately addressed and that an acceptable corrective action plan is included as required. The report will include specific timelines for any required and agreed upon corrective action.

Report Distribution

Once Compliance staff completed the draft, The Chief Compliance and Contracting Officer will review and approve the Monitoring Report. After the report is approved by

the Chief Compliance and Contracting Office, Compliance staff will prepare and send an email to distribute the Monitoring report to the following:

- Monitored Entity
- ReOregon Program Staff
- Programmatic areas, as needed
- Fiscal
- Compliance Management

Monitoring Event Closeout

After the Monitoring Report is distributed, Compliance staff will ensure that the Monitored Entities compliance file is updated with supporting documentation. The Operations and Compliance Manager will add Implementation Verification to the Annual Monitoring Plan.

Implementation Verification

The OHCS Compliance Team is responsible for working directly with the Monitored Entity, program areas, and/or OHCS DR Finance staff to resolve open Findings and Concerns.

Implementation Review

Within 30-days of receiving the Monitoring Report the Monitored Entity is required to respond in writing regarding the status of the Corrective Action Plan including supporting documentation demonstrating mitigation adequately addressing deficiencies.

Compliance goal is to complete the review within 10 business days of receipt of the Monitored Entity response, however that may not be practical. If more than 10 days are required for review, Compliance Staff will inform Monitored Entity of revised timeline. If Compliance staff determine that the actions taken have corrected the deficiencies the Monitored Entity will be issued a Clearance Letter.

If there are deficiencies that remain unresolved the Operations and Compliance Manager will prepare a Non-Compliance Letter will be addressed to the executive director and copied to the chairperson of the board or other appropriate executive leadership within the Monitored Entity. The letter will be signed by OHCS Chief Compliance and Contracting Officer, Chief Recovery Officer, and a copy of the letter will be maintained in the Entities monitoring folder.

Unresolved Issues

From the Non-Compliance Letter the Monitored Entity is given 20 additional business days to resolve the remaining findings. If, at the end of this timeline, the finding is

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unresolved, a second Non-Compliance Letter will be addressed to the chairperson of the board and the executive director outlining continued findings and concerns. This Letter is prepared by the Operations and Compliance Manager and it informs the Monitored Entity that all payments and/or future contracts will be held until the remaining findings and/or concerns are resolved. The letter will be signed by OHCS DRR Chief Compliance and Contracting Officer and Chief Recovery Officer, and a copy of the letter will be maintained in the Entities monitoring folder.

Remedies for Non-Compliance

In accordance with 2 CFR Part 200, OHCS may undertake corrective and remedial actions in accordance with the authorities applicable to a Monitored Entity; thus, ensuring compliance and the effective administration of the CDBG-DR and CDBG-MIT programs, in a manner that facilitates long-term recovery and mitigation efforts in Oregon. Consistent with the procedures described in this Manual, OHCS may adjust, reduce, or withdraw the CDBG-DR and CDBG-MIT subaward or take other actions as appropriate, except for funds that have been expended for eligible, approved activities.

If a written response to the Monitoring Report is not received within thirty (30) days of receiving the Monitoring Report, a Non-Compliance letter will be sent to the OHCS CDBG-DR and CDBG-MIT programmatic area(s) or OHCS DR Finance staff and Monitored Entity requesting their response within fifteen (15) days of the date of the letter. The letter will require the Monitored Entity to meet in-person to update the Corrective Action Plan for prompt resolution of open findings and concerns.

Failure to comply with a Corrective Action Plan may result in the termination, reduction, or limitation of payments to subrecipients receiving funds under a CDBG-DR and CDBG-MIT subaward. Prior to a reduction, withdrawal, or adjustment of a CDBG-DR or CDBG-MIT grant, or other actions taken pursuant to 2 CFR Part 200, the Monitored Entity shall be notified of the proposed action and be given an opportunity for an informal consultation.

Additional Remedies

In accordance with 2 CFR § 200.339, if a Monitored Entity fails to correct identified deficiencies, OHCS DR Compliance staff may take one or more of the following actions:

- Temporarily withhold cash payments pending correction of the deficiency by the Monitored Entity or more severe enforcement action by OHCS.
- Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.

- Wholly or partly suspend or terminate the award.
- Recommend the Federal Awarding Agency initiate suspension or debarment proceedings as authorized under 2 CFR Part 180 and Federal awarding agency regulations.
- Withhold further awards for the project or program; and
- Take other remedies that may be legally available.

Clearance Letter

Once all Findings and Concerns have been remediated Compliance staff will issue a Clearance Letter to the ReOregon Program Staff, OHCS Finance staff, and Monitored Entity for each Monitoring Event. If a Monitoring Event did not result in any new findings or concerns, the Monitoring Report will also serve as the Clearance Letter. All findings must be addressed prior to the closeout of the CDBG-DR or CDBG-MIT funded activity.