

# CHAPTER 13: PERFORMANCE MEASUREMENT, REPORTING, RECORDKEEPING AND MONITORING

## CHAPTER PURPOSE & CONTENTS

This chapter provides grantees with an overview of three primary aspects of ensuring and documenting compliance with program rules and requirements—monitoring, reporting and recordkeeping.

<b>SECTION</b>	<b>TOPIC</b>
13.1	Performance Measurement
13.2	Reporting
13.3	Recordkeeping
13.4	Monitoring

### 13.1 Performance Measurement

The following is a summary of the topics in this section, applicable statutory and regulatory cites, and other reference materials available from HUD.

**Key Topics in This Section:** Objectives, Outcomes, Indicators

**Regulatory/Statutory Citations:** Section 104(b)(4), Section 104(e), 570.507, 570.900

**Other Reference Materials on This Topic:** Federal Register Notice, March 7, 2006 Performance Measurement website: <http://www.hud.gov/offices/cpd/about/performance/>

#### 13.1.1 Background Overview

Performance measurement is an organized process for gathering information to determine how well programs and activities are meeting established needs and goals.

The performance measurement system was developed to enable HUD and CPD grantees to use a standardized methodology and system to measure the outcomes of CDBG and the other CPD formula grant programs, HOME, ESG and HOPWA.

For grantees, the system provides a framework for classifying activities in their Consolidated Plans and for reporting specific data elements. The information provided by grantees will enable HUD to report on the outcomes of the four CPD formula grant programs nationally.

There are three main components to the CPD Outcome Performance Measurement System:

- Objectives;
- Outcomes; and
- Indicators.

### 13.1.2 **Objectives**

Objectives closely mirror the statutory objectives of each program. The objectives are framed broadly to capture the range of community impacts that occur as a result of program activities. The CPD Outcome Performance Measurement System offers three possible objectives for each activity.

**Creating Suitable Living Environments** relates to activities that are designed to benefit communities, families, or individuals by addressing issues in their living environment. This objective relates to activities that are intended to address a wide range of issues faced by LMI persons, from physical problems with their environment, such as poor quality infrastructure, to social issues such as crime prevention, literacy, or elderly health services.

**Providing Decent Housing** covers the wide range of housing activities that could be undertaken with CDBG funds. This objective focuses on housing activities where the purpose is to meet individual family or community housing needs. It does not include programs where housing is an element of a larger effort to make community-wide improvements, since such programs would be more appropriately reported under Suitable Living Environments.

**Creating Economic Opportunities** applies to activities related to economic development, commercial revitalization, or job creation.

### 13.1.3 **Outcomes**

The program outcome helps further refine the grantee's objective and is designed to capture the nature of the change or the expected result of the objective that a grantee seeks to achieve. Outcomes correspond to the question "What is the **type** of change the grantee is seeking? Or what is the expected result of the activity?" The CPD Outcome Performance Measurement System provides three outcomes:

**Availability/Accessibility** applies to activities that make services, infrastructure, public services, public facilities, housing, or shelter available or accessible to LMI people, including persons with disabilities. In this category, accessibility does not refer only to physical barriers, but also to making the basics of daily living available and accessible to LMI people where they live.

**Affordability** applies to activities that provide affordability in a variety of ways to LMI people. It can include the creation or maintenance of affordable housing, basic infrastructure hook-ups, or services such as transportation or day care. Affordability is an appropriate objective whenever an activity is lowering the cost, improving the quality, or increasing the affordability of a product or service to benefit a low-income household.

**Example #1:** A low interest loan program might make loans available to LMI microenterprise businesses at 1% interest, which is far below the market rate. This program lowers the cost of the loan, enabling entrepreneurs to start businesses. As a result, the program makes financing more affordable.

**Example #2:** A subsidized day care program that provides services to LMI persons/families at lower cost than unsubsidized day care.

**Sustainability** applies to activities that are aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of LMI or by removing or eliminating slums or blighted areas, through multiple activities or services that sustain communities or neighborhoods.

### **13.1.4 Indicators**

There are four common indicators that are relevant for most activities. The system requires the grantee to report on these data elements for nearly all program activities.

Amount of money leveraged from other Federal, state, local, and private sources, per activity.

Number of persons, households, businesses, units or beds assisted, as appropriate.

Income levels of persons or households by: 30 percent, 50 percent or 80 percent of area median income.

For CDBG activities that benefit an area, the data reported for that activity will need to show the total number of persons served and the percentage of LMI individuals served.

Race, ethnicity, and disability data for activities that currently report these data elements.

Under CDBG, race/ethnicity data is required only when the activity is specifically undertaken to directly benefit persons or households, such as job creation activities or housing rehabilitation. Race and ethnicity data is **not** required for activities under the CDBG LMI area benefit, slum/blight, or urgent need national objectives.

In addition to the common indicators that are used for all program activities, there are 18 major activity-specific indicator categories as shown in Exhibit 13-1 at the end of this chapter.

### **13.1.5 Performance Measurement Wrap Up**

To ensure compliance, grantees and their subrecipients have action steps they will need to take when using CPD Outcome Performance Measurement System:

Determine the intent (or goals) of their program activities;

Include objectives and outcomes in Consolidated Plans, Action Plans and performance reports;

Select objectives and outcomes;

Collect applicable data on objectives and outcomes;

Record objectives and outcomes in IDIS;

Collect indicator data from internal program administration staff and subrecipients; and

Report on indicators in IDIS.

Data must be reported at least annually within IDIS, but grantees are encouraged to report as often as possible.

Performance Measurement indicator data that must be reported in IDIS is collected depending upon the matrix code and national objective chosen. IDIS screens ask all the pertinent information that grantees need to collect and provide within the system. **Complete and**

**accurate data reporting is critical to the success of the CDBG program. Missing and or incorrect information from grantees results in national data that is flawed.**

In addition there are new performance measurement reports now available within IDIS.

**The PR83: CDBG Performance Measures Report** displays all CDBG performance data by objective and outcome for public facilities/improvements, public service, housing, homeless, and economic development activities. The grantee and field office versions of this report display all performance measurement data entered for a particular program year.

**The PR84: CDBG Strategy Area, CDFI, and Local Target Area Report** displays CDBG activity performance data by CDBG Strategy Area, CDFI, and Local Target Area.

**The PR85: Housing Performance Report** covers data for activities completed during a selected program year.

Grantees can use these IDIS reports to track their progress toward meeting performance measurement requirements.

Assess what data is complete where collection of data is occurring with the right level of detail and determine where additional data must be collected and from which subrecipients; and

Amend applications, procedures, and guidelines to better address performance measurement requirements.

See the chapter on IDIS for further information.

## 13.2 Reporting Requirements

The following is a summary of the topics in this section, applicable statutory and regulatory cites, and other reference materials available from HUD.

**Key Topics in This Section:** CAPER Requirements, CAPER Submission and Review

**Regulatory/Statutory Citations:** Section 104(e), 570.507, 570.502, 570.503

**Other Reference Materials on This Topic:** Memorandum from CPD Assistant Secretary, February 18, 1998, Consolidated Plan website:

<http://www.hud.gov/offices/cpd/about/conplan/index.cfm#guidelines>

### 13.2.1 Background and Overview

The CDBG regulations require grantees to submit an Annual Performance Report to HUD within 90 days of the close of a grantee's program year. This is in accordance with the Consolidated Plan regulations at 24 CFR Part 91 (provided in the Appendix).

Prior to the 1996 Consolidated Plan program year, grantees submitted a Grantee Performance Report (GPR). The report is called the Consolidated Annual Performance and Evaluation Report (CAPER).

The Performance Report incorporates not only the old GPR, but also the reporting requirements for the CDBG Program, HOME, Housing Opportunities for Persons with AIDS (HOPWA) and Emergency Shelter Grants (ESG) programs. Requirements discussed below apply to **all** of these programs, except where noted as CDBG-specific requirements.

Annual reports are used to meet three basic purposes:

Provide HUD with necessary information to assess each grantee's ability to carry out its programs in compliance with applicable regulations and requirements;

Provide information necessary for HUD to report to Congress; and

Provide grantees with an opportunity to describe its program achievements with their citizens.

### **13.2.2 CAPER Requirements**

Grantees are required to use the Integrated Disbursement and Information System (IDIS) to comply with current reporting requirements.

To initiate annual reporting, grantees should update all current activities in IDIS to include all required financial and performance information.

The IDIS report, PR06, Summary of Consolidated Plan Projects, should be used to inform the narrative component below. This report summarizes commitment and disbursements by Action Plan projects.

### **Narrative Components**

Each grantee's CAPER must include narrative statements that address the following:

Assessment of three- to five-year goals and objectives: addresses the grantee's progress toward meeting their strategic plan and high priority needs;

Affirmatively furthering Fair Housing: describes efforts toward this area including an analysis of impediments to fair housing choice, summary of impediments, and actions taken;

Affordable housing: evaluates progress toward meeting its objectives toward the provision of affordable housing by income level;

Continuum of Care: evaluates progress toward meeting its objectives toward homeless and special needs populations;

Other actions indicated in the grantee's Strategic and Action Plans: includes actions such as overcoming barriers to affordable housing and community development activities, improving public housing initiatives, reducing and eliminating lead based paint hazards, and efforts to reduce the number of persons living below the poverty line.

Leveraging resources: describes other public and private resources used toward the provision of affordable housing and community development activities;

Citizen comments: describes any public comments received in regard to the program; and

Self-evaluation: focuses on results on programs and projects funded by the grantee and their impact on their community.

In addition, CDBG grantees must submit a narrative statement addressing the following issues:

The relationship of the use of CDBG funds to priorities, needs, goals and specific objectives identified in the Consolidated Plan;

Nature and reasons for any changes in program objectives;

Efforts of the grantee to carry out planned activities described in its Action Plan;

If applicable, why the use of CDBG funds did not meet one of three national objectives;

Activities involving acquisition, relocation and displacement;

Economic development activities not resulting in jobs held by LMI persons;

Presumed limited clientele activities;

Activities generating program income;

Rehabilitation activities; and

If applicable, progress against Neighborhood Revitalization Strategy Area benchmarks.

## Financial Reports

In addition to the narrative elements, grantees are required to provide certain financial reports to citizens in order to satisfy the requirements of 24 CFR 91.520. These reports are:

Summary of Accomplishments Report—data on CDBG activity counts and disbursements by priority need categories;

Consolidated Annual Performance and Evaluation Report—progress in implementing projects identified in a grantee’s Action Plan;

Financial Summary Report—obligations and expenditures for the program year and determines the percentages of funding for LMI activities, planning and administration, and public services;

Summary of Activities—status, accomplishments, and expenditures for each activity open during the program year;

Rehab Activities—each rehab activity along with the amount expended, completed LMI units and occupied LMI units; and

Hard copies of the above-listed financial reports do **not** have to be provided to the HUD Field Office as part of the CAPER submission. Copies should be retained by the grantee, however, to document program year accomplishments and other information.

### 13.2.3 CAPER Submission and Review

Prior to submitting a CAPER, grantees must make the report available to the public for examination and comment for a period of at least 15 days.

CAPERs must be received by the HUD Field Office no later than 90 days after the close of the grantee’s Consolidated Plan program year.

HUD will review the grantee’s Performance Reports and determine if they are satisfactory. If a satisfactory report is not submitted, HUD may:

Suspend funding until a satisfactory report is submitted; or

Withdraw and reallocate funding if HUD determines, after notice and opportunity to comment, that the grantee will not submit a satisfactory report.

Following submission, grantees must make copies of the report submitted to HUD available for examination by the public upon request. The copies made available must include a summary of comments received as a result of the public participation process.

## 13.3 Recordkeeping Requirements

The following is a summary of the topics in this section, applicable statutory and regulatory cites, and other reference materials available from HUD.

**Key Topics in This Section:** General Administrative, Financial, Project/Activity, National Objectives, Determining and Documenting Income, Records on Subrecipients, Record Retention, Access to Records

**Regulatory/Statutory Citations:** Section 104(e); (a)(2)(D) and (a)(3)(b), 570.506, 570.508

**Other Reference Materials on This Topic** CDBG Guide to Eligible Activities and National Objectives, Chapters 2 & 3, *Managing CDBG: A Guidebook for CDBG Grantees on Subrecipient Oversight*

### **13.3.1 Overview**

Accurate recordkeeping is crucial to the successful management of CDBG-funded activities. Insufficient documentation is likely to lead to monitoring findings, and these findings will be more difficult to resolve if records are missing, inadequate or inaccurate.

To assess strengths and weaknesses in this area, grantees should think about the following:

Is there a clearly defined process for acquiring, organizing, storing, retrieving, and reporting information about CDBG-funded activities?

How can the documentation and reporting systems be strengthened to meet the HUD requirements?

Who is responsible for the majority of the recordkeeping and reporting tasks, and are they properly trained and supported?

How can standardized procedures and the removal of duplicative records streamline the recordkeeping and reporting process?

What types of records and reports could be automated (i.e., computerized) that are not now?

### **13.3.2 General Administrative**

Grantees must maintain files and records that relate to the overall administration of the CDBG program. These records will include the following:

Consolidated Plan submission to HUD, which includes the application, program descriptions, certifications, etc.;

Executed grant agreement;

Description, geographic location and budget of each funded activity;

Eligibility and national objective determinations for each activity;

Personnel files;

Property management files;

HUD monitoring correspondence;

Citizen participation compliance documentation;

Fair Housing and Equal Opportunity records;

Lump sum agreements;

Environmental review records; and

Documentation of compliance with other Federal requirements (e.g., Davis-Bacon, Uniform Relocation Act, and Lead-Based Paint).

### **13.3.3 Financial**

Financial recordkeeping is one of the primary areas subject to HUD reviews and one in which inadequate recordkeeping can lead to serious problems.

Financial records to be maintained include:

- Chart of accounts;
- Manual on accounting procedures;
- Accounting journals and ledgers;
- Source documentation (purchase orders, invoices, canceled checks, etc.);
- Procurement files (including bids, contracts, etc.);
- Real property inventory;
- Bank account records (including revolving loan fund records, if applicable);
- Draw down requests;
- Payroll records and reports;
- Financial reports;
- Audit files; and
- Relevant financial correspondence.

Oftentimes, the financial functions of grantee CDBG program operations are often handled by staff with accounting skills, but not necessarily with a CDBG program background, or are shared with staff from other departments outside of the administering agency.

To ensure proper financial recordkeeping and reporting, grantees should help their financial staff understand:

- What information needs to be kept and why;
- When that information should be collected and how often;
- How the information should be acquired, organized and stored;
- How the information should be reported; and
- How long the records must be kept.

### **13.3.4 Project/Activity**

For each type of activity undertaken, the grantee should determine what data must be maintained in individual case files and establish a system for ensuring that every file contains the necessary information.

The list will vary from activity to activity, but each project/activity file should include the following documentation:

- Eligibility of the activity;
- Evidence of having met a national objective (see below);

If applicable, subrecipient agreement;  
Any bids or contracts;  
Characteristics and location of the beneficiaries;  
Compliance with special program requirements, including environmental review records;  
Budget and expenditure information (including draw requests); and  
The status of the project/activity.

### **13.3.5 National Objectives**

#### **LMI Area Benefit**

Grantees must maintain the following records regarding LMI areas qualifying under the area benefit national objective:

Boundaries of the service area;  
Income characteristics of families and unrelated individuals in the service area; and  
Data showing that the area qualifies under the exception rule if the percent of LMI persons in the service area is less than 51 percent. [24 CFR 570.208(a)(1)(ii)]

An exhibit follows this chapter provides a shortened version of what records to maintain depending upon national objective chosen.

#### **LMI Limited Clientele**

The grantee must maintain the following records regarding limited clientele activities:

Documentation showing that the activity is designed for and used by a segment of the population presumed by HUD to be LMI persons; or  
Documentation describing how the nature and, if applicable, the location of the activity establishes that it is used predominantly by LMI persons; or  
Data showing the size and annual income of the family of each person receiving the benefit and that at least 51% of those served are LMI; or  
Data showing that the activity is a special project removing accessibility barriers in the limited cases described above.

#### **LMI Housing**

Grantees must maintain the following records on housing activities:

A copy of the written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multi-unit structure assisted and the number of those units which will be occupied by LMI households after assistance;

The total cost of the activity, including both CDBG and non-CDBG funds; and

For each unit occupied by a LMI household, the size, ethnicity and income of the household.

For rental housing only:

Rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted; and

Information as necessary to show the affordability of units occupied (or to be occupied) by LMI households pursuant to criteria established and made public by the grantee.

For each property acquired on which there are no structures, evidence of commitments ensuring that the criteria in §570.208(a)(3) will be met when the structures are built.

Where applicable, records documenting that the activity qualified under the exception criteria for new construction of non-elderly, multi-unit housing.

## LMI Job Creation/Retention

Records to be maintained for job creation activities are differentiated by whether the grantee will document whether the jobs will be **available** to LMI persons or whether LMI persons will hold the jobs.

Where the grantee chooses to document that at least 51 percent of the jobs will be **available** to LMI persons, documentation for each assisted business shall include a copy of a written agreement, containing:

A commitment by the business that it will make at least 51 percent of the full-time equivalent (FTE) jobs available to LMI persons and will provide training for any of those jobs requiring special skills or education;

A listing by job title of the permanent jobs to be created, indicating which jobs will be available to LMI persons, which jobs require special skills or education, and which jobs are part-time;

A description of the actions to be taken by the grantee and business to ensure that LMI persons receive first consideration for these jobs; and

A listing by job title of the permanent jobs filled, which jobs were available to LMI persons, as well as a description of how first consideration was given to such persons for these jobs. The description should include what type of hiring process was used; names of LMI persons interviewed for a particular job; and which LMI interviewees were hired.

Where the grantee chooses to document that at least 51 percent of the jobs will be **held by** LMI persons, documentation for each assisted business should include a copy of a written agreement, containing:

A commitment by the business that at least 51 percent of the permanent jobs on a full-time equivalent (FTE) basis will be held by LMI persons;

A listing by job title of the permanent jobs to be created (identifying which are part-time, if any);

A listing by job title of the permanent jobs filled and which jobs were initially held by LMI persons; and

For each LMI person hired, information on the size and annual income of the person's family prior to the time the person was hired for the job, or evidence the person qualifies as presumed to be LMI based upon location of the business or the person's residence.

For benefit based on job retention, the following documentation must be kept:

Evidence that, in the absence of CDBG assistance, the jobs would be lost;

For each business assisted, a listing by job title of permanent jobs retained, indicating which of those jobs are part-time and (where it is known) which are held by LMI persons at the time the assistance is provided;

Where applicable, identification of any of the retained jobs (other than those known to be held by LMI persons) which are projected to become available to LMI persons through job turnover within two years of the time CDBG assistance is provided, and information on how the turnover projections were calculated;

For each retained job claimed to be held by a LMI person, information on the size and annual income of the person's family or evidence that the person may be presumed to be LMI based on the location of the business or the person's residence; and

For jobs claimed to be available to LMI persons based on job turnover: a description covering the items required for "available to" jobs identified above; a listing of each job that has turned over to date, indicating which of those jobs were either taken by, or made available to LMI persons; and a description of how "first consideration" was given to LMI persons for those jobs.

### **Slum/Blight Area Basis**

Records to be maintained for area-wide slum and blight activities include:

Boundaries of the area.

Description of the conditions that qualified the area at the time of its designation in sufficient detail to demonstrate how the area met the qualifying criteria (i.e., in accordance with 570.208(b)(1), the area meets a definition of a slum, blighted, deteriorated or deteriorating area under state or local law).

How the assisted activity addressed one or more of the conditions that contributed to the deterioration of the area.

For each residential rehabilitation activity:

Local definition of "substandard" that must be at least as stringent as the Housing Quality Standards (HQS) used in the Section 8 Housing Assistance Payment Program—Existing Housing;

Pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated; and

Details and scope of CDBG-assisted rehabilitation, by structure.

### **Slum/Blight Spot Basis**

Records to be maintained for spot elimination of slum and blight:

A description of the specific condition of blight or physical decay treated; and

For rehabilitation carried out under this category, a description of the structure, including:

The specific conditions detrimental to public health and safety that were identified; and

Details and scope of the CDBG-assisted rehabilitation, by structure.

### **Slum/Blight Urban Renewal**

Records to be maintained for slum/blight urban renewal activities:

A copy of the HUD approved Urban Renewal Plan in effect at the time the CDBG activity is carried out, including maps and supporting documentation.

## **Urgent Need**

Records to be maintained for urgent need activities include:

Documentation concerning the nature and degree of seriousness of the condition requiring assistance;

Evidence that the grantee certified that the CDBG activity was designed to address the urgent need;

Information on the timing of the development of the serious condition; and

Evidence confirming that other financial resources to alleviate the need were not available.

### **13.3.6 Determining and Documenting Income**

Annual income is the gross amount of income anticipated by all adults in a family during the 12 months following the effective date of the determination.

To calculate annual income, the grantee may choose among three definitions of income, listed below.

Annual income as defined under the Section 8 Housing Assistance Payments Program (24 CFR 5.609);

Adjusted gross income as defined for purposes of reporting under IRS Form 1040 (long form) for Federal individual income tax purposes; and

Annual income as defined for reporting under the Census long form for the most recent available decennial Census.

Grantees must determine annual income for a person, family or a household only for direct benefit activities only. Direct benefit activities include activities such as homeownership assistance or receipt of public services. Please note that income documentation should be collected for these activities, but it is not a requirement that third party verification (e.g., verification of employment) be obtained; however, this method may be a best practice. Income verification forms may be used to document income.

Family: grantees need documentation for all national objectives except for LMI housing.

Household: grantees need documentation necessary for LMI housing.

Grantees do not need to determine income eligibility for the following national objectives: area benefit, presumed limited clientele, slum/blight, or urgent need.

Grantees must ensure that applicants to their programs and activities are treated equitably. For this reason, the same income definition must be used within a particular program or activity.

For example, if a grantee decides to use the Section 8 definition of annual income for its homebuyer program, it must use this definition for all applicants to the homebuyer program. It may not use the Census definition for one applicant and the Section 8 definition for another applicant.

To determine if program applicants are income-eligible, grantees have several options:

Obtain evidence that the household/person assisted qualified under another program having income qualification criteria at least as restrictive as that used in the definitions of LMI household/person, such as Job Training Partnership Act (JTPA) and welfare programs; or

Obtain evidence that the assisted person is homeless; or

Obtain a verifiable certification from the assisted person that his/her family income does not exceed the applicable income limit; or

Obtain a referral from a state, county or local employment agency or other entity that agrees to refer individuals it determines to be LMI persons based on HUD's criteria and agrees to maintain documentation supporting these determinations.

### **13.3.7 Records on Subrecipients**

As discussed previously, grantees are responsible for ensuring that subrecipient activities are carried out in compliance with all applicable program requirements and that the performance of subrecipients is on track with objectives set forth by the grantee. The following is an overview of the types of records that must be maintained by grantees for each funded subrecipient activity:

Subrecipient application;

Written agreement;

Financial statements and records;

Audits;

Progress reports;

Draw down requests (with source documentation, including invoices, purchaser orders, etc.); and

Monitoring reports and correspondence.

While grantees maintain certain records pertaining to subrecipient activities, subrecipients must also maintain detailed records on its organization, financial and administrative systems and the specific CDBG-funded project or activity.

### **13.3.8 Record Retention Period**

Under the uniform administrative requirements of the CDBG regulations, grantees and subrecipients are required to retain CDBG records for a period of not less than four years. For subrecipients, the record retention period begins from the date of submission of the CAPER in which the specific activity is reported on for the final time rather than from the date of submission of the final expenditure report for the award. (NOTE: Prior to 1995, the retention period was three years.)

The change to a four year retention period in 1995 means the CDBG requirements are consistent with Consolidated Plan regulations, which require that grantees maintain information and records relating to the jurisdiction's Consolidated Plan and the use of funds under the programs covered by the Consolidated Plan, including CDBG, for a period of not less than five years.

### **13.3.9 Access to Records**

HUD and the Comptroller General of the United States, or their authorized representatives, have the right to access grantee and subrecipient program records. This right is not limited to the retention period (discussed above).

Requirements regarding public access to records include:

CDBG grantees are required to provide citizens with reasonable access to records regarding the past use of CDBG funds, consistent with applicable state and local laws regarding privacy and confidentiality; and

The Consolidated Plan regulations require that grantees provide citizens, public agencies and other interested parties with reasonable and timely access to information and records relating to the jurisdiction's Consolidated Plan and the use of assistance under the programs covered by the Consolidated Plan. (NOTE: This requirement must be made a part of grantee's Citizen Participation Plans.)

## **13.4 Monitoring of Program Performance**

Monitoring of program performance is a key element of CDBG grantee management and oversight responsibilities. The following is a summary of the topics in this section, applicable statutory and regulatory cites, and other reference materials available from HUD.

**Key Topics in This Section:** Program Monitoring, Project Monitoring, Corrective Actions

**Regulatory/Statutory Citations:** Section 105(a)(12)(B)(v), 570.206, 570.503

**Other Reference Materials on This Topic** *Managing CDBG: A Guidebook for CDBG Grantees on Subrecipient Oversight*

### **13.4.1 Overview**

Grantees are responsible for managing the day-to-day operations of their CDBG Program and ensuring that CDBG funds are used in keeping with program requirements. Implementation of CDBG activities by other entities (subrecipients, CBDOs, CDFIs, etc.) does not relieve grantees of this responsibility.

Monitoring is the primary tool that CDBG grantees use to ensure that CDBG projects are being carried out in accordance with program requirements. Monitoring is a review of program or project performance and compliance. There are several types of monitoring:

**Administrative and Financial monitoring** ensures that the grantee and subrecipient are administering the program properly (i.e., using funds from authorized sources, tracking funds, using proper methods of recordkeeping, and managing finances appropriately).

**Program monitoring** ensures the operations and management of subrecipients for efficiency, effectiveness, compliance, etc. This kind of monitoring focuses on overall program performance of subrecipients.

**Project monitoring** ensures that projects are in compliance with CDBG and other Federal standards. This kind of monitoring focuses on the compliance of an individual project.

The three primary goals of monitoring are to:

Ensure production and accountability;

Ensure compliance with CDBG and other federal requirements; and  
Evaluate organizational and project performance.

The regulations require that the performance of each subrecipient receiving CDBG funds must be reviewed by grantees at least annually. Good practice suggests that:

Any entity receiving CDBG funds for an eligible project must be monitored to ensure compliance with applicable program requirements.

More frequent reviews may be appropriate based on the length and complexity of the activity being undertaken and the experience and capacity of the subrecipient.

### **13.4.2 Entities that are Monitored**

Grantees award CDBG funds to a variety of subrecipients. Subrecipients (sometimes referred to as “subgrantees”) are entities that are **provided** CDBG funds by a grantee **for their use** in carrying out agreed-upon, eligible activities. There are four basic kinds of subrecipients:

**Governmental agencies** are public agencies, commissions, or authorities that are **independent** of the grantee’s government (for example, a public housing authority or a park district). Grantee public agencies undertaking CDBG assisted activities are subject to the same requirements as are applicable to subrecipients (§570.501(a)).

**Private non-profits** are usually, but not always, corporations, associations, agencies, or faith-based organizations with non-profit status under the Internal Revenue Code (Section 501(c)(3)), usually with a board of directors and an executive director in charge of daily administration. Examples of private non-profits include private social services agencies (such as those providing job training or counseling, or day care providers), community development corporations, faith-based housing development groups, and operators of homeless shelters.

**Private, for-profit entities** can qualify subrecipients when facilitating economic development by assisting microenterprises under the provisions of 24 CFR S70.201(o).

**Community Based Development Organizations (CBDOs)** authorized under §570.204 to carry out special activities such as economic development or new housing construction are not subrecipients unless so designated by the grantee.

### **13.4.3 Monitoring Plans and Risk Assessments**

Monitoring should not be a “one-time event.” To be an effective tool for avoiding problems and improving performance, monitoring must involve an on-going process of planning, implementation, communication, and follow-up.

Grantees should develop a monitoring plan at least annually at the beginning of each program year. This allows grantees to match their available resources for monitoring with the needs and capacity of subrecipients. A monitoring plan may include the following:

- Objectives of the monitoring plan;
- Standardized procedures for reporting by subrecipients;
- Standardized procedures for review and monitoring;
- How risk areas will be identified and addressed;
- Frequency of meetings, monitoring reviews and inspections;

- Pre-monitoring preparation;
- Use and scheduling of staff and other resources for monitoring;
- CDBG program and project portfolio;
- Monitoring "checklists"; and
- Sample monitoring letters.

Since grantees do not have enough staff to monitor all their subrecipients as frequently and thoroughly as they would like every year, they need to decide which subrecipients are most likely to have the most serious problems and ensure they devote extra attention to them. Grantees should ensure the monitoring plan is appropriate to their performance tracking capabilities and rotate the subrecipients selected for in-depth monitoring.

For programs and projects, grantees should perform a risk assessment to identify which subrecipients require comprehensive monitoring. High-risk subrecipients include those that are:

- New to the CDBG program;
- Experiencing turnover in key staff positions or a change in goals or direction;
- Encountering complaints and/or bad press;
- Previous compliance or performance problems including failure to meet schedules, submit timely reports, or clear monitoring or audit findings;
- Carrying out high risk activities (e.g., economic development); and
- Undertaking multiple CDBG-funded activities for the first time.

A sample set of risk indicators and assessment areas are presented in Exhibit 13-3. This can be used to develop a risk assessment protocol where grantees can award points to various assessment areas to make priorities within their monitoring system.

For experienced subrecipients that are successfully carrying out activities, grantees could plan a more narrowly focused monitoring effort to examine areas where the regulations have changed, new activities that are being undertaken, or program aspects that led to problems in the past.

However, comprehensive monitoring reviews should be conducted periodically, even for subrecipients with strong past performance. Even the most effective and efficient subrecipients can neglect their responsibilities if grantees do not hold them accountable.

#### **13.4.4 Administrative and Financial Monitoring**

Grantees must monitor subrecipients on administrative and financial requirements for accounting standards, cost principles, and procurement.

**Accounting Standards:** Ensure compliance with 24 CFR 84.21–28. The subrecipient adheres to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

**Cost Principles:** Ensure compliance with OMB Circulars A-122, "Cost Principles for Non-Profit Organizations," or A-21, "Cost Principles for Educational Institutions," as applicable. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

**Procurement:** Ensure compliance with the current grantee policy concerning the purchase of equipment and shall maintain inventory records of all non-expendable personal property as defined by such policy as may be procured with funds provided herein. All program assets (unexpended program income, property, equipment, etc.) shall revert to the grantee upon termination of the written agreement. Unless specified otherwise within the written agreement, the Subrecipient shall procure all materials, property, or services in accordance with the requirements of 24 CFR 84.40–48.

### **13.4.5 Program Monitoring**

Program monitoring encompasses two different areas of review. First, grantees must monitor compliance with their CDBG funded programs to ensure they meet program eligibility, objectives, and goals. Often this type of monitoring is done in the following manner:

Compare programs funded to the Consolidated Plan. Check to see if programs are listed among the grantee’s strategies to address community development needs.

Compare programs funded to the national objectives and eligible activities of the CDBG program.

If program is not listed or is ineligible, the grantee must modify its consolidated plan and/or stop funding the program (if it is ineligible).

In addition, there are several reports that are available on the HUD website that grantees can use to evaluate their performance as well as performance of their subrecipients. Grantees can use reports to assess local/state CDBG program performance. These reports ensure that the most up-to-date information is available to grantees, their clients, and public officials (see specific information on the CDBG accomplishments and performance).

**Community Performance Profiles:** These profiles share information about the performance of CDBG grantees. This information is important to our grantees, stakeholders, and citizens so they will be able to access information about the performance of each local CDBG program.

**Expenditure Reports:** As part of HUD's continuing effort to provide grantees and citizens with program information on the status of our programs, the Office of Community Planning and Development has developed expenditure profiles that show how each entitlement community expended their CDBG funds during its most recently completed program year. The profiles depict expenditures by activity.

**Selected CDBG Accomplishment Reports.** As part of HUD's continuing effort to provide grantees and citizens with information on the status of our programs, the Office of Community Planning and Development has developed profiles that display accomplishments for selected housing, economic development, public improvement, and public service activities. The profiles contain accomplishments by program year, by CDBG entitlement communities and states.

The second area that grantees must monitor is program implementation by their subrecipients.

Review program descriptions of subrecipients to ensure they meet program eligibility goals, grantee objectives, and overall performance.

There are two ways to conduct program monitoring reviews. The first is to conduct what is referred to as a “desk review.” The second, more intensive way to monitor CDBG-funded

programs and organizations is to conduct an “on-site monitoring review”. Both options are discussed below.

### **13.4.6 Project Monitoring**

For individual projects, monitoring begins when activities are selected for CDBG funding and continues through project completion.

For example, once construction has started, grantees should:

- Require progress reports (weekly, monthly, quarterly or with each draw request) that flag any pending or anticipated problems;

- Hold regular meetings to discuss issues and provide any technical assistance needed; and

- Make periodic site visits to evaluate progress.

Other general areas for project monitoring include:

Project schedule:

- Is the project on schedule and have all major milestones been met?

Project accomplishments:

- Is the project meeting standards established in the written agreement?

- Are costs on target?

- Is the number of units proposed being produced?

- If applicable, is the quality of the construction/rehabilitation acceptable?

- If the project is finished, have the CDBG-assisted units been rented/sold to income-eligible households?

There are two ways to conduct project monitoring reviews which may be done in conjunction with program monitoring. The first is to conduct what is referred to as a “desk review.” The second, more intensive way to monitor CDBG-funded programs and organizations is to conduct an “on-site monitoring review”. Both options are discussed below.

### **13.4.7 Desk Reviews**

Desk reviews are a key component of basic monitoring activities. They involve examining information and materials provided to grantees by subrecipients as a means to track performance and identify potential problem areas.

- Staff performing desk reviews should examine progress reports, compliance reports, and financial information to adequately assess performance and look for indicators of performance or compliance problems.

A typical grantee is likely to request three kinds of reports from its subrecipients: information on drawdown requests, regular progress reports, and CAPER data.

**Drawdown requests** involve the following:

- Funds budgeted;

- Funds received in drawdowns to date;

- Funds obligated in most recent period and to date;

Funds expended in most recent period and to date;  
Cash on hand (including program income identified as such); and  
Previous drawdowns requested but not yet received.

**Regular progress reports** (either monthly or quarterly) involve the following:

Track actual project accomplishments;  
Obligations; and  
Spending patterns against planned operations and accomplishments.

**CAPER data** collection involves the following:

The activity's name, matrix code, description, and location;  
The national objective being met;  
The amount expended during the program year;  
The total cost of each multi-unit housing and 570.203(b) economic development activity;  
The amount of unliquidated obligations for each public service and planning and administration activity if CDBG funds are not disbursed during the 90 days after the end of the grantee's program year; and  
Activity status and specific units of accomplishments, including compliance with the applicable national objective, during each program year.

If questions or concerns arise from the desk review, staff should gather additional information through telephone calls, additional documents, or other written materials.

### **13.4.8 On-Site Reviews**

On-site reviews typically involve monitoring of the subrecipient's overall program administration as well as individual beneficiary or project files, depending upon the activity undertaken.

The following steps provide grantees with the basic framework to follow when conducting on-site program monitoring reviews, including reviews of subrecipients.

**Step 1: Prepare for the Monitoring Visit**—Before the monitoring visit, grantees should make sure staff is adequately trained for the task. Staff should be thoroughly familiar with the applicable program rules and the established monitoring protocol. In addition, staff should review the following types of in-house data prior to the visit:

Application for funding;  
Written agreement;  
Progress reports;  
Draw-down requests;  
Integrated Disbursement and information System (IDIS) reports;  
Correspondence;  
Previous monitoring reviews; and  
Copies of audits.

**Step 2: Conduct the Monitoring Visit**—There are four basic elements to conducting an on-site monitoring visit: notification, entrance conference or meeting, data collection and analysis, and exit conference or meeting. These steps are described briefly below.

**Notification:** Grantees should begin the monitoring process by calling subrecipients to explain the purpose of the visit and to agree upon dates for the visit. A formal notification letter should follow at least several weeks before the planned visit and should include:

- Confirmation of the dates for the review,
- Scope of the monitoring,
- Information needed for review during the visit, and
- Staff needed for interviews or other assistance during the review.

**Entrance conference:** Entrance conferences are held at the beginning of monitoring visits, usually with the executive director or other top official of the organization, to make sure the subrecipient has a clear understanding of the purpose, scope, and schedule for the monitoring.

**Documentation, data gathering, and analysis:** Grantees should keep a clear record of information reviewed and conversations held with subrecipient staff during the monitoring visit. The most efficient and effective way to review all of the necessary documentation and data is with a checklist. Checklists should be based on the CDBG Program requirements for each type of project. The information gathered will serve as the basis for conclusions to be included in the monitoring report and follow-up letter. Subrecipients may request identification of sources if any of the conclusions are disputed.

**Exit conference:** At the end of the monitoring visit, the reviewers should meet again with key representatives of the subrecipient organization to:

- Present preliminary results of the monitoring,
- Provide an opportunity for the subrecipient to correct any misconceptions or misunderstandings,
- Secure additional information to clarify or support their position, and
- If applicable, provide an opportunity for the subrecipient to report on steps the organization may already be taking to address areas of noncompliance or nonperformance.

**Step 3: Follow-Up**—At the end of the process, the grantee should provide the subrecipient with formal written notification of the results of the monitoring review. This letter should both point out problem areas **and** recognize successes.

The follow-up letter creates a permanent written record of what was found during the review.

Standardized language set forth in the monitoring procedures often helps grantees to develop standardized monitoring letters in a reasonable time frame and with consistency from subrecipient to subrecipient.

The letter should outline concerns and findings (see above), and set deadlines for a written response and corrective actions.

Follow-up procedures are discussed below under “Corrective Actions.”

## **13.4.9 Corrective Action and Training/Technical Assistance**

### **Corrective Actions**

Grantees are responsible for taking appropriate actions when performance problems arise. Written agreements should be the primary mechanism for enforcement in situations of noncompliance.

There are three increasingly serious stages of intervention. Grantees should start at Stage 1, then move through Stages 2 and 3 as the situation requires. A grantee's response to monitoring findings will depend upon the seriousness of the grantee's problems.

**Stage 1: Low-level Intervention**—At this stage, grantees should do one or more of the following:

- Clearly identify problem areas and required corrective actions;
- Plan a strategy with the subrecipient that includes any training or technical assistance that may help to address identified problems;
- Require more frequent or more thorough reporting by the subrecipient or other organization carrying out the activity; or
- Conduct more frequent monitoring reviews.

**Stage 2: Moderate-level Intervention**—After attempting the low-level intervention steps, grantees may need to take increasingly tougher steps, such as:

- Restrict payment requests,
- Disallow certain expenses or require repayment of funding provided for certain expenses, or
- Impose probationary status.

**Stage 3: High-level Intervention**—At this point, grantees must take the most serious actions to put an end to noncompliance problems. Suggested steps include:

- Temporarily suspend the organization from participation in the CDBG Program,
- Do not renew the organization or the activity for the next program year,
- Terminate the organization or activity for the current program year, or
- Initiate legal action.

### **Incorporating Training and Technical Assistance**

Monitoring should not be a “one-time” event. To be an effective tool for avoiding problems and improving performance, monitoring must be an ongoing process of planning, implementation and follow-up.

In fact, in order to avoid future problems with subrecipients, training and technical assistance should be an ongoing feature of grantee CDBG programs. There are three basic approaches, that together, focus on enhancing performance and reducing common problems among subrecipients:

#### **Orientation Sessions**

Typically held at the beginning of a funding cycle. (Some grantees hold these types of sessions prior to applications).

Provides a forum for discussing basic requirements and procedures, and to discuss expectations about performance.

**Training**

Training is typically aimed at larger audiences.

This type of workshop focuses on specific issues, and provides sufficient technical detail necessary for subrecipients to understand and implement program requirements.

Training should be held throughout the year, and should enhance performance and long-term capacity of subrecipients.

**Technical Assistance**

Typically provided in a one-on-one or small group setting on site.

Technical assistance should be designed to correct a specific weakness, or to improve the quality or performance of a specific program or project already underway.

**Exhibit 13-1  
Performance Measurement Indicators for CDBG Projects**

Indicator	Data to be Collected
<b>Public facility or infrastructure</b>	Number of persons that have been assisted by public facility or infrastructure activities that provide individuals with new or improved access to the facility or infrastructure. If the activity was used to meet a quality standard or to measurably improve quality, then this indicator will report the number of household units that no longer have access to a substandard service.
<b>Public service</b>	Number of persons that have been assisted with new or improved access to a service. If the activity was used to meet a quality standard or to measurably improve quality, then this indicator will report the number of persons that no longer have access to a substandard service.
<b>Targeted revitalization</b>	This indicator shows a range of outcomes such as jobs created and retained, businesses assisted, LMI persons and households served, slum/blight demolition, number of acres of brownfields remediated, etc. in a targeted area.
<b>Commercial façade treatments or business building rehabilitation</b>	Number of commercial façade treatments undertaken and the number of business buildings that were rehabilitated.
<b>Brownfields remediated</b>	Number of acres of brownfields that were remediated.
<b>Rental units constructed</b>	Number of affordable rental units created, Number of years of affordability, Number of units occupied by the elderly, and Units designated for chronically homeless persons and persons with HIV/AIDS.

Indicator	Data to be Collected
<b>Rental units rehabilitated</b>	Number of affordable rental units rehabilitated, Number of years of affordability, Number of units occupied by the elderly, Units for chronically homeless persons, and persons with HIV/AIDS.
<b>Homeownership units constructed or acquired with rehabilitation</b>	Number of homeownership units constructed, acquired, and/or acquired with rehabilitation per activity. Number of affordable units, number of years of affordability, Energy Star qualified units, section 504 accessible units, and number of households previously living in subsidized housing. Number of units occupied by the elderly, number of units designated for persons with HIV/AIDS, and Number of units for the chronically homeless.
<b>Owner occupied units rehabilitated</b>	Number of owner occupied units rehabilitated, including the number of these units occupied by the elderly, Number of units designated for persons with HIV/AIDS, and Number of units for the chronically homeless.
<b>Direct financial assistance to homebuyers</b>	Number of homebuyers receiving direct financial assistance, housing counseling, and downpayment assistance/closing costs.
<b>Tenant Based Assistance</b>	Number of households receiving TBA, Number with short-term rental assistance (less than 12 months), Number of homeless and chronically homeless households assisted.
<b>Homeless shelters</b>	Number of homeless persons given overnight shelter.
<b>Emergency housing</b>	Number of beds created in an overnight shelter or other emergency housing.
<b>Tenant Based Assistance</b>	This indicator shows the total number of households receiving TBA, Number with short-term rental assistance (less than 12 months), Number of homeless and chronically homeless households assisted.
<b>Emergency housing</b>	Number of beds created in an overnight shelter or other emergency housing.
<b>Homeless prevention</b>	Number of households that received emergency financial assistance to prevent homelessness and emergency legal assistance to prevent homelessness.
<b>Jobs created/retained</b>	Of the total number of jobs created, this indicator shows the number of jobs that have employee-sponsored health care, The types of jobs created [using Economic Development Administration (EDA) classifications], and Number or persons unemployed before taking the job (created only)

Indicator	Data to be Collected
<b>Business assistance</b>	Number of new businesses, existing businesses, and the DUNS number of each business so that HUD can track the number of new businesses that remain operational for three years after assistance.
<b>Businesses providing goods or services</b>	This indicator shows whether an assisted business provides goods or services to meet the needs of the service area, neighborhood, or community, as determined by the grantee.

**Exhibit 13-2  
National Objective Recordkeeping**

National Objective Criteria	Records to be Maintained
LMI— <b>Area Benefit</b>	Boundaries of the area Income data of residents and percent LMI If less than 51 percent LMI, exception criteria data
LMI— <b>Limited Clientele</b>	Documentation that facility/service designed for or used exclusively by one of the eligible “presumptive” groups Documentation of nature and location of the facility/service such that it can be presumed to service LMI  OR Data on household size and income of each person receiving the benefit
LMI— <b>Housing</b>	Copy of written agreement with landlord/developer with total no. of units and no. to be occupied by LMI persons Total cost of project (CDBG and non-CDBG funds) Income and household size data for occupants/purchasers Rent charged (rental housing only)
LMI— <b>Job Creation</b>	If qualifying under “jobs available to LMI”: Copy of written agreement with required provisions Listing by job title of permanent jobs filled, which were available to LMI and evidence of first consideration to LMI If qualifying under “jobs held by LMI”: Copy of written agreement with required provisions Listing by job title of permanent jobs filled and which were initially held by LMI For each LMI person hired, household size and annual income prior to hiring

<b>National Objective Criteria</b>	<b>Records to be Maintained</b>
LMI— <b>Job Retention</b>	Evidence that without CDBG, jobs will be lost Listing by job title of permanent jobs retained (include part-time and those held by LMIs) Information on job turnover, including jobs to be available to and filled by LMI persons For each job retained and held by a LMI person, family size and income
Slum/Blight— <b>Area Basis</b>	Boundaries of the area Description of the conditions which qualified the area For residential rehab— Local definition of substandard Pre-rehab inspection report with noted deficiencies Details of CDBG-funded rehab
Slum/Blight— <b>Spot Basis</b>	Description of the specific condition of blight or decay treated Description of specific conditions detrimental to public health and safety (rehab only) Details of CDBG-funded rehab (rehab only)
Slum/Blight— <b>Urban Renewal</b>	Copy of Urban Renewal Plan Maps and supporting documentation
Meeting C.D. Needs Having a Particular Urgency	Nature and degree of seriousness of condition requiring assistance Certification that CDBG activity designed to address the need Timing of development of the serious condition Evidence that other financial resources were not available

**Exhibit 13-3  
Risk Assessment Matrix**

Risk Area	Assessment Areas
<b><u>Project Complexity</u></b>	Size of dollar amount requested Use of funds: *For construction or rehab *For operation of facility *For program only
<b><u>Type of Organization Requesting Funding</u></b>	Non-profit For-profit (570.201(o)) Governmental Agency
<b><u>Complexity of Housing Project</u></b>	New construction Rehabilitation Single unit/multi-unit Number of units Subrecipient's prior experience with this size and type project
<b><u>Economic Development</u></b>	Complexity of project Number of jobs to be created or retained Area benefit Providing direct grants and loans Providing technical assistance Subrecipient's prior experience
<b><u>Potential Environmental Concerns</u></b>	Degree of complexity E.I.S. needed
<b><u>Other Type of Project</u></b>	Degree of experience carrying out similar type project
<b><u>Funding</u></b>	Other sources of funds indicated, but not committed Other funds committed CDBG funds only
<b><u>Type of Assistance</u></b>	Grant Loan
<b><u>Float Loan</u></b>	Ability to repay within necessary time frame

<b>Risk Area</b>	<b>Assessment Areas</b>
<b><u>Program Income</u></b>	To be retained to continue with the same activity To be retained for a different activity To be returned to grantee
<b><u>Subrecipient Organization</u></b>	Newly created entity Well established, but no prior CDBG or Federal experience Prior experience with CDBG or other Federal programs No independent source of funding, i.e., general fundraising
<b><u>Subrecipient History, If Previously Funded</u></b>	Ability to deliver project within budget and on schedule Ability to anticipate and overcome past problems Any past monitoring issues raised Any special contract conditions needed
<b><u>Staffing</u></b>	Staff experienced with this type activity Have sufficient staff to carry out project or must hire Entity has significant staff turnover
<b><u>Recent Problems</u></b>	Unresolved monitoring findings Citizen complaints