

CHAPTER 6. ON-SITE MONITORING

6.1 OVERVIEW

HUD or RHS GTRs/GTMs are responsible for monitoring the performance of grantees and projects that receive CHSP assistance. Monitoring grantee drawdown activities using LOCCS is described in Chapter 5. Periodic, on-site monitoring is also required to ensure compliance with CHSP requirements.

HUD and RHS monitor their direct grantees. State, Indian tribe and local government grantees, who have been delegated responsibility and provided with one percent of funds to monitor multi-project grants, must also follow the procedures identified below to conduct their on-site monitoring activities. However, PHA/IHAS (or other nonprofits) that own and are approved for more than one project under the CHSP will be reviewed by HUD; they are NOT delegated self-monitoring responsibility.

6.2 MONITORING GOALS

The primary goal of grant monitoring is to identify deficiencies in program policies and operations and to determine the corrective actions needed to rectify any problems that are identified. A secondary goal is to use the on-site visit as an opportunity to provide technical assistance to the grantee and to identify other technical assistance needs.

- a. Program Compliance. On-site monitoring allows the GTR to ensure program compliance by:
 1. Comparing on-site activities to the "paper trail" of documents.
 2. Validating program and financial reports submitted by the grantee to HUD.
- b. Technical Assistance. On-site monitoring is also an opportunity to provide technical assistance and identify technical assistance needs through:
 1. Identification of problems and concerns when they are in the early stages,
 2. Review of management controls set up by the grantee,
and
 3. Provision of support and information for the annual program and budget review.

6.3 IDENTIFYING GRANTEEES FOR MONITORING

Each state or area office should incorporate CHSP monitoring visits into the annual monitoring strategy developed for that office. GTRs should use a risk analysis to determine the priority and order in which grantees will be monitored.

- a. Monitoring Frequency. New grantees must receive an on-site monitoring visit during the first year of operations.

The overall monitoring schedule for the state or area office should assume that CHSP grantees will be monitored every three years. However, well-performing Housing and RHS grantees may be monitored on a less frequent schedule and grantees with performance problems or outstanding issues from a previous monitoring review should be monitored as needed. In general, PHA grantees should be monitored in accordance with Handbook 7460.7, Rev.2, "Field Office Monitoring of Public Housing Agencies", subject to Section 6.3 (b).

- b. Risk Assessment. To determine the order in which grantees will be reviewed (or when staffing is insufficient to monitor all projects), GTRs should conduct a risk assessment to determine which and in what order projects will be reviewed. Key risk factors include:

- (1) the size and complexity of past and present activities,
- (2) known problems with past or current performance
- (3) period of time that has elapsed since the last monitoring review
- (4) capacity of grantee staff
- (5) whether the grantee directly manages the CHSP or works through subrecipients

- c. Project Visits

- (1) Single Project Grants. The GTR should visit both the headquarters operations and the project location. This is true even in those cases in which the grantee and project owner are not the same entity (e.g., a state, Indian tribe, or local government grantee that provides funding to a single project).
- (2) Multi-project Grants. The GTR should visit the headquarters operations and at least one project location. The GTR should schedule rotating visits to projects so that at least one of the sites in a multi-project grant is visited each time the

GTR monitors the grantee. The headquarters visit may be omitted if headquarters operations were satisfactory at a prior visit.

6.4 COMPLIANCE AREAS

GTRs use form HUD-90003, Congregate Housing Services Program Grantee Review Form (see Appendix 10) as a guide for the monitoring visit and to record the information received during the on-site visit. Key compliance areas reviewed include:

- a. Participation. The GTR should review and record basic information about who participates in the program, including demographic information on applicants, participants and those rejected for program participation.
- b. Services. The GTR should review provided services to confirm that proposed services are being offered and used; that minimum services standards are being met; and that the HUD share of the cost of services is appropriate.
- c. Organization and Staffing. The GTR should review current staffing and consider whether staffing is consistent with the approved budget, sufficient for the program, and adequately trained.
- d. Service Coordination. The GTR should review the performance of the service coordinator including carrying out of case management and referral duties and maintaining documentation such as case files and a service provider directory; the grantee should also review the service coordinator's contract and qualifications.
- e. Fees. The GTR should review financial records to confirm that fees in use are the approved fees and whether program rules concerning limitations on fees are being followed.
- f. Professional Assessment Committee (PAC). The GTR should review documentation to determine that current PAC members have been approved by HUD, that PAC operating procedures are in place, that PAC meetings are being documented and that the PAC is practicing nondiscrimination in the selection of CHSP participants.
- g. Documentation of Program Participation. The GTR should review a sample of case files to determine whether individual files are secure, with limited access, and that appropriate and adequate information is kept in each participant's file.
- h. Community Involvement. The GTR should review whether the owner/grantee is maintaining a relationship with the Area Agency on Aging and the state or local agency serving people with disabilities.

- i. Financial Management. The GTR should review the grantee's books, records, and accounts for the CHSP to ensure that they are kept separate from other sets of records and accounts,

that they contain adequate and appropriate information, and that the grantee has established adequate controls over and accountability for all CHSP funds and property.

- j. Nondiscrimination and Equal Opportunity. The GTR should monitor grantee performance for compliance with nondiscrimination and equal opportunity requirements. Since the GTR may not be qualified to pursue an investigation of compliance violations, he/she should report any violations to the appropriate fair housing staff in the field office for further investigation and follow-up to assure that the grantee makes the necessary corrections.

Exhibit 6-1 provides examples of non-compliance.

Exhibit 6-1
EXAMPLES OF NON-COMPLIANCE

1. Matching funds documented by the grantee are not new supportive services resources but existing supportive services that were available on or off-site to residents by arrangement through contract or other agreement with project management at the time the grant award was made.
2. Ineligible project residents are being served as CHSP participants, with CHSP fees.
3. Non-residents are being served as CHSP participants with CHSP fees.
4. Participants are receiving services for which they have not been approved.
5. Funds are being used for services and/or administrative activities that are not in the approved budget.
6. Funds are consistently being spent at rates higher than budgeted.
7. Records do not support the funds spent nor indicate that the residents being served are eligible.
8. Matching funds received and/or fees collected are lower than approved in the budget, but CHSP funds are being spent at budgeted levels.

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6.5 THE ON-SITE VISIT

- a. Notice to Grantees. Grantees must be given reasonable advance notice, generally at least two weeks in advance of the planned on-site visit. Notice may be given by telephone and confirmed in writing before or at the on-site visit. The notice should include:

- (1) areas to be monitored;
- (2) names of the HUD/RHS participants;
- (3) dates and times of the visit; and
- (4) files of information that will be reviewed.

- b. GTR Preparation for the Visit. Prior to the visit, the GTR should:

- (1) review all available information about the grantee

including previous monitoring reports, data available from the LOCCS/BLI system, and biannual and annual reports submitted by the grantee.

- (2) develop an agenda for the visit that specifies the activities to be reviewed.
 - (3) meet or talk with other HUD/RHS staff who have contacts with the grantee.
 - (4) complete as much of form HUD-90003 as possible from file documents.
- c. Grantee Preparation for Monitoring Visit. Prior to the visit, the grantee should:
- (1) make sure that all needed staff are available for the visit.
 - (2) arrange for access to key program documents and files.
 - (3) inform project residents and program participants that monitoring staff will visit the project and arrange for any resident/program participant interviews requested by the GTR.
- d. Initial Meeting. The GTR should meet with the executive director/administrator/ CHSP Project/site director and resident council representative (if existing) to introduce HUD/RHS or grantee staff, explain the review methods and breadth/depth of coverage, answer questions of the grantee or project site and solicit ideas/insights on apparent or actual problems that may already have been identified.

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- e. Conducting the Review. The on-site review should include the following activities:
- (1) Interview key staff and resident representatives to discuss grantee performance. Potential interviewees include: the CHSP coordinator, the project manager, and the service coordinator; and representatives of the following groups: CHSP participants, service providers, PAC members, Area/State Agency on Aging staff, state/local staff serving the elderly and non-elderly disabled, other project residents and CHSP staff who do financial recordkeeping for the grant.
 - (2) Review random samples of participant and applicant files (at least 10% or a minimum of 3 of each per site).
 - (3) Observe and participate in a CHSP meal, if possible.
 - (4) Observe CHSP grantee or project-level staff at work.

- (5) Review minutes of PAC meetings.
- (6) Review financial records, including any sub-grants or sub-contracts, and accounting procedures.
- (7) Complete the CHSP On-site Review Form (form HUD-90003).

NOTE: If the response to any of the questions on the CHSP On-site Review Form indicates that a grant amendment is necessary and appropriate, the grantee must send a modification request to the GTR in writing, within 10 days of the on-site review. GTR processing of such a modification (amendment) request is discussed in Paragraph 7.4 below.

- f. Close-Out Meeting. Upon completion of the review, the GTR holds a close-out meeting with the CHSP Director/Coordinator to discuss review findings, advising that a written report with recommendations will follow.

6.6 MONITORING REPORT

The monitoring report with its findings and conclusions must be an addendum to the form HUD-90003. It is important that the report stress the positive areas in which the grantee is doing a good job or has shown significant improvement since the last review, as well as any problems identified. The disclosure of major findings and observations, suitably detailed, should be accompanied by recommendations or offers of technical assistance directed toward fixing the cause of the deficient performance.

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The most important part of the report will be the corrective actions cited, and the timetable for completion. Corrective actions are to, first, prevent a continuation of the deficiency; second, mitigate any adverse effects or consequences of the deficiency to the extent possible under the circumstances; and, third, prevent a recurrence of the same or a similar deficiency. There may be several ways to correct a deficiency; the GTR must involve the grantee in the discussion of a proposed solution.

- a. Documentation of Findings. On-site monitoring must be well documented. The monitoring package will include the HUD-90003, findings memorandum, copies of any materials picked up from the grantee or project site and copies of working papers used in any analysis.
- b. Supervisory Review. Prior to sending out the report, review by the GTR's supervisor is required to consider the following:
 1. Handbook and review requirements have been followed;
 2. Documentation is correct;
 3. Conclusions are correct; and,

4. Recommendations are appropriate.
- c. Memorandum to Grantee. The GTR drafts the monitoring report for his/her supervisor's signature. It contains all findings and recommendations, and the HUD-90003 and is sent to the grantee or the project site within 30 days of the review.

The report should include an overall assessment of the CHSP operation and what the grantee or project site must do to improve operations, including specific timetables for action related to specific deficiencies. Exhibit 6-2 present several examples of CHSP non-compliance (deficiencies) and appropriate corrective actions.

- d. Follow-up
- (1) Grantees must respond in writing to the GTR regarding any negative findings within the timetable set in the communication to them. The GTR must send the original of this response to the Grant Officer for the master file.
 - (2) When the grantee response has been received, it must be reviewed by the GTR or other appropriate staff to determine that the response is satisfactory. This review must be completed within 10 calendar days. In some cases, a follow-up visit by the GTR may be required.
 - (3) If review indicates that the response is unsatisfactory, a letter from the Grant Officer requesting further corrective

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steps must be sent to the senior executive official of the grantee within five days of the determination that the response was unsatisfactory.

For RHS projects, a copy of this letter must be sent to the RHS Headquarters.

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Exhibit 6-2
CHSP ON-SITE MONITORING
EXAMPLES OF FINDINGS AND RECOMMENDATIONS
FOR APPROPRIATE ACTIONS AND GRANTEE RESPONSES

Example 1: Deficiency: 6 of the 25 participant files are incomplete, thus it is not possible to determine if these participants are eligible and/or are receiving appropriate services.

Corrective Action: The PAC and the service coordinator must review the six files and reconstruct/locate and insert all missing information.

Response: The grantee or project must submit a certification to the requesting agency within 30 days of the date of the memorandum stating the deficiency certifying that all files have been completed and are up to date.

Example 2: Deficiency: Three ineligible residents are receiving CHSP services on an ongoing-basis, but only paying CHSP fees, not the full cost of the services received.

Corrective Action: The PAC and/or the service coordinator must notify these individuals immediately that they are to either (1) discontinue the services effective with receipt of the letter from the grantee, or (2) begin paying for what ever services they wish to continue to receive at full cost.

Additionally, the letter must state that the grantee or project may be liable to HUD/RHS for any HUD funds utilized to pay for services to ineligible people. The grantee may not retroactively charge ineligible participants.

The GTR must discuss with the HUD state or area office Grant Officer/RHS state office Director the question of audit (or the grantee should discuss with the GTR) to determine if repayment of funds is appropriate, and how much.

Response: The grantee or the project must provide to the requesting agency a copy of the letter to the individual(s) and a statement regarding final resolution, within 14 calendar days of the date of the initial letter to the grantee or project site. The GTR, with the HUD state or area office Grant Officer/RHS state office director will determine the question of repayment of funds.

Example 3: Deficiency: The grantee or the project is paying for a preventive health screening clinic and recreational services with CHSP funds. Neither of these are in the approved CHSP budget.

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Corrective Action: The grantee or project must be instructed to stop providing for such services immediately with CHSP funds and provide an accounting to the GTR or grantee of how much has been spent on such activities. This amount must be reimbursed to the

grant.

Response: The grantee or project must submit a certification to the requesting agency within 30 days certifying that it has terminated the aforementioned services, and providing an accounting of the amount of funds misspent, subject to future audit.

Follow-up: The requesting agency will discuss the response regarding recovery of the funds with the GTR regarding whether or not the grant will be in jeopardy.

Example 4: Deficiency: The grantee or the project was determined to have extremely inaccurate-to-non-existent records regarding CHSP expenditures.

Corrective Action: The grantee or project must be instructed to reconstruct all records, as appropriate, with evidence to the grantee that the records are now maintained in an accurate fashion, e.g., within 30 days of notification.

Additionally, the letter must state that the grantee or project may not receive further reimbursements until the records are in order, and may be liable for refunding to HUD/RHS of any HUD funds utilized for which appropriate accounting can not be made.

Response: The grantee must provide the GTR (or project must provide the grantee) with a certification that the record systems are in accordance with HUD/RHS procedures within 60 days of the date of initial notification from the grantee, AND copies of the relevant receipts to show that the records have been reconstructed for the period in question.

Follow-up: The GTR (or grantee staff) must make a follow-up visit within a stated time period (e.g.90 days) to determine that the records have in fact been reconstructed and systems properly set up. Also, the grantee must discuss with the GTR the question of audit to determine ff repayment of funds is necessary, how much, and, if appropriate, discontinuance of the site.

Example 5: Deficiency: Grantee or project was found to be using existing supportive services as match for the CHSP, rather than new funds.

Response: Grantee must recalculate budget for the next year based upon the amount of new match funds actually received. If it was determined that all match in the initial year of the grant was existing funds rather than new resources, the GTR should advise the state or

area office Grant Officer/RHS state office Director. If, under any set of calculations in later years, the proportion of HUD funds would decrease to an amount that would not enable the grantee or project to continue, the GTR should advise the HUD state or area office Grant Officer/RHS state office Director so that a determination can be made regarding the feasibility of continuing the CHSP grant.

The GTR for a HUD project should file a copy of the findings and recommendations memorandum, and the HUD-90003 (with any other material collected during the review).

The GTR for a RHS project should file these documents; send a copy of the findings and recommendations memo to the appropriate HUD state or area office with a request to modify the HUD 1044 if appropriate, and send a copy of all material to advise RHS Headquarters of the determination regarding the grant.

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6.7 SANCTIONS FOR NON-COMPLIANCE

In the event that problems are uncovered in the operations of the grant, the grantee must be given an opportunity and time frame to correct the problem; sanctions may be applied if the problem is not corrected. Sanctions may range from withholding one or more reimbursements to termination of the grant.

a. Sanctions

GTRs may recommend and Grant Officers approve any of the following sanctions:

- (1) temporary withholding of reimbursements or further extensions or renewals, pending correction of the deficiency by the grantee;
- (2) disallowing (i.e., denying both use of funds and matching amounts) all or part of the cost of the activity or action not in compliance;
- (3) wholly or partially suspending the award;
- (4) withholding (or disallowing) further awards under the CHSP;
- (5) attaching conditions to the grant that may trigger its termination, if the conditions are not met within specified time frames; or
- (6) taking other remedies that may be legally available.

b. Termination of CHSP Grant

It is possible that working with a grantee to resolve program or administrative deficiencies is not successful, and the grant must be terminated. The steps for termination of a CHSP grant are discussed in Chapter 8.