TRI-CITIES HOME CONSORTIUM

KENNEWICK · PASCO · RICHLAND

Monitoring Plan

Monitoring
HUD requires monitoring of subrecipient agencies on an annual basis. Monitoring is an ongoing process of reviewing performance using documented data to make judgments about agency performance, and to assist in improving that performance. The contract compliance monitoring performed by PJ Division staff is different from an annual audit. Monitoring is not an audit of the agency but rather is focused on the "program" that is federally funded.

To meet HUD requirements, the PJ may conduct an on-site monitoring visit, or the PJ may conduct a "desk-top" monitoring visit, whereby the agency is not visited, and their grant is monitored only by review of the information in the files.

Monitoring Goals:

1. To review subrecipient agencies to determine if services are being delivered in accordance with contract requirements as to type of services and number of units of service.

2. To review records to determine if systems are in place to properly document the provision of services, client eligibility, and compliance with all contract requirements.

3. To review subrecipient agencies to determine if expenditures on allocated funds are being used in accordance with contract and programmatic requirements.

4. To review records of subrecipient agencies to determine if systems are in place to properly document financial transactions, the use of allocated funds, use of program income, and any other contract, federal, state and local requirements. In some cases, it may be necessary to perform a follow-up monitoring visit or conduct monitoring more often than annually.

Source Documentation
All accounting records must be supported by source documentation. Supporting documentation is important to retain for all program expenditures. Documentation must specifically prove that expenditures charged to the grant are:

1. Incurred during the immediate effective period of the contractual agreement between the PJ and subrecipient.

2. Were actually paid out (or properly accrued within 15 days of dispersal request for reimbursement),

3. Expenditures were allowable and reasonable, and

4. Expenditures were approved by an official responsible for your organization.

Source documentation must explain the basis of the costs incurred. For example:
With respect to staff time charged to the grant you must have time sheets signed by the employee

and supervisor that explicitly states the hours charged to the grant and attendance sheets should be available at all times to verify that the time charged to the grant is accurate. Utility costs should be supported by bills from the utility company. Such information should be available at all times to verify costs charged to the CDBG or HOME Program is accurate.

Program Monitoring Process
PJ staff will contact the subrecipient to arrange for a monitoring visit. The subrecipient will be informed regarding the initial records to be reviewed. These records should be ready for review upon arrival and made available in the working space set up for the monitoring visit.

Entrance Conference
The PJ monitor will meet with subrecipient staff that manage and assume overall responsibility for the program and with other interested people to answer any questions regarding the monitoring process. The program staff will introduce the monitor to the staff responsible for various recordkeeping requirements. The Monitor will review records selected for monitoring and discuss record keeping methods and programmatic procedures with staff who maintain them.

Copies of certain documents and records may be made for purposes of preparing the report. Records which will be reviewed by the monitor include but are not limited to:

1. Reports sent to the PJ for the period under review, with supporting documents.

2. Daily logs, time sheets, and other documents used to prepare reports.

3. A list of clients served and those that did not receive assistance with the written reason for denial during the contract period.

4. A sample of client records, drawn from a list of assisted clients. The client records should include eligibility documentation and records of services provided.

Review of Records
The PJ will check the agency records against submitted records and reports for the following, although this is not to be construed as an exhaustive list:

1. Determine if the amounts in the agency records match the amounts submitted to PJ.

2. Determine if reports are presented in a timely manner (by the date specified in the contract).

3. Determine if reports are accurate and completed in a satisfactory manner.

4. Determine if the proposed goals and timeline for completion are being met.

5. Determine if the project/activity is following CDBG/HOME program policies, procedures, guidelines and regulations.

6. Determine if units are in keeping with the contract definition and meet property standards.

7. Determine that only expenses agreed upon in the contract agreement are billed to the CDBG/HOME program.

8. Documentation and verification of income eligibility of the household for all members aged 18 and older using Part 5 definition, and the HUD guidebook "Technical Guide for Determining Income and Allowances for the HOME Program". Household income must be verified within 6 months of loan closing date. Documentation of income and eligibility must be equal to or lower than 80% of the median income for the Tri-Cities MSA as established annually by HUD. For the HOME Program, household income eligibility criteria must be projected for the next 12-month period.

9. Documentation that the provision of services and scope of work meets the terms of the agreement.

10. Verification that funds have not been committed to the project prior to completion of the environmental review process.

11. Documentation that HOME Program agreements are dated and signed by the applicant and subrecipient prior to the commitment of funds.

12. Determine if files are complete and maintained in an orderly fashion.

Fiscal Monitoring Process

Staff will contact the subrecipient to arrange for monitoring. The agency will be informed as to whether the initial records are to be reviewed. These records should be collected and available in the working space set up for the monitor and should be in an understandable format. Alternatively, the monitor may conduct a desk-top review in the HOME lead entity office and may require the agency to submit documents to this office.

1. Meet staff responsible for preparing reimbursement requests, payroll, and maintaining accounting records.

2. Review records selected for monitoring and discuss record keeping methods with staff who maintain them. Copies of certain documents and records may be made for purposes of preparing the report. Records to be reviewed by the monitor may include, but are not limited to:

    Time and attendance reports (time sheets or time cards);
    Payroll register;
    Cash receipts journal;
    Check disbursement journal or check register;
    Bank statements, canceled checks, and/or direct deposit verification;
    General ledgers;

Invoices and purchase orders;
Bank reconciliation; and/or
Any additional item (vouchers, documents, financial reports, records, etc.) needed to verify transactions.

Review of:

A. Salaries - The monitor will:

1. Review time and attendance reports for time billed to HOME and verification of reports by supervisor.

2. Check to see if there is a clear audit trail between the time and attendance reports, payroll register, general ledger accounts and federal & state reports.

3. Test computation for gross amounts, deductions, and net payments.

4. Verify canceled checks for amounts and endorsements.

5. Verify employees' time from time cards to the time reported on reimbursement requests.

6. Verify that the costs requested for reimbursements are allowable and reasonable under the terms of the contract.

7. Verify invoices and payments.

8. Verify purchase of equipment is in agreement with general ledger account and financial reports.
9. Ensure that purchased equipment is allowable.

10. Verify calculation of depreciation (if applicable).

11. Make physical inspection of equipment (if applicable).

C. Other Operating Expenses - The monitor will:

1. Examine invoices and related canceled checks.

2. Review invoices for approvals and account distribution.

3. Determine if the costs are allowable.

4. Verify the agency's line-item costs to amounts requested for reimbursement.

5. Verify that the amounts requested for reimbursement agree with posting to general ledger accounts.

6. Select insurance invoices to verify that the amounts requested for reimbursement apply only to Community Development employees.

D. Revenue - The monitor will:

1. Verify amounts disbursed by PJ to reconcile with funds received by the agency.

2. Verify amounts and use of any program income or CHDO proceeds received.

E. Overall Accounting Review - The monitor will:

1. Review the process used to record the various transactions and determine if it is effective.
2. Review the actual transactions and their supporting documentation, determining eligible reimbursement expenses. In order for an expenditure to be considered eligible for reimbursement, the following requirements must be met:
   a. The expenditure must be for the current funding period;
   b. It must be an expenditure related to HOME activity; and
   c. It must be an expenditure permitted by the contract.

3. Review the overall agency performance to determine if it is within compliance according to the contractual terms and conditions.

4. Determine if the prior year's monitoring findings have been corrected and are not being repeated.

Exit Conference
The monitor will meet with the director and subrecipient to discuss the results of the monitoring. The Director may invite staff and/or board members as he/she deems appropriate. The purpose of the exit conference is to:

1. Discuss findings, if any, and methods of correcting each individual deficiency.

2. Discuss concerns, if any, and methods of correcting concerns.

3. Discuss any observations made regarding the agency and offer technical assistance where applicable.

4. Answer any questions the agency director or staff may have.

Monitoring Reports and Appeals
Within thirty (30) days after the completion of the monitoring visit or desk-top review, a written report of the results of the monitoring visit will be forwarded to the subrecipient. If the program and fiscal monitoring were performed concurrently, the reports for both will be combined under a single cover letter.

Monitoring Report

The monitoring report contains:

1. A detailed list of areas reviewed.

2. A detailed list of findings, if any.

3. A recommendation will accompany each finding explaining how the deficiency can be corrected.

4. A detailed list of concerns, if any.

5. Depending on the nature of the concern, a recommendation may be included on how to eliminate the concern.

6. Observations, if any, are made regarding the subrecipient's operation.

7. If the findings are severe, the letter accompanying the report may place a hold on further reimbursements to the sub-recipient until the findings are cleared or may require the suspension of the activity until corrective actions are made and are satisfactory to the lead entity.

Response to Monitoring Report
Within thirty (30) days after receipt of the monitoring report, the subrecipient must submit a written response to the monitoring report. The response should include:

1. A response to each individual finding and concern, if applicable.

2. Copies of any documentation to back up the response to the findings (copies of corrected employee monthly time reports, etc.).

Response to Subrecipient Response
Upon receipt of the subrecipient's response to the monitoring report, a review of the response will be conducted to determine if the findings have been satisfied. A written response to the subrecipient's response will be sent, to include the following:

1. Those findings which have been satisfied will be noted as closed. If all findings are closed, the subrecipient's monitoring for the year under review is considered to be complete.

2. Findings which are not satisfied will remain open and will require further response or action on the subrecipient's part.

3. The subrecipient will be given an adequate period of time to take any further action needed to correct the findings and respond in writing.

a. If these actions are satisfactory, the findings are noted as closed and the monitoring is considered to be complete.

b. If these actions are not satisfactory, further correspondence is required until such time as all findings are closed and the monitoring is concluded.

c. The closure of the contract does not necessarily close the monitoring, or the corrective actions required.

Correspondence will continue until all findings are closed.

Appeals

In the event that a subrecipient agency and the monitor cannot come to an agreement on one or more findings of the PJ's monitoring visit, an appeal may be made in writing to the Planning and Redevelopment Manager. The appeal should state clearly the finding being appealed, and the basis for the appeal. HUD does not accept appeals of decisions by the PJ regarding monitoring issues.