CHAPTER 13
MONITOR REVIEW

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CHAPTER 13
MONITOR REVIEW

13.0 Introduction

The Texas Community Development Block Grant (TxCDBG) Program of the Texas Department of Agriculture (TDA), Office of Rural Affairs is responsible for ensuring that CDBG activities are completed, and funds expended in accordance with agreement provisions and applicable state and federal rules, regulations, policies, and related statutes. In accordance with this responsibility, TDA has established the agreement compliance process.

TDA has established risk-based procedures to determine compliance with agreement provisions and applicable state and federal rules, regulations, policies, and related statutes that include Grant Recipient self-administered monitoring reviews, TDA desk reviews, or on-site reviews and visits of project sites as part of the monitoring process. The monitor review includes an analysis of Grant Recipient records and may require completion of questionnaires, interviews with local government staff and program participants, and other information gathering procedures. TDA views this process as an important part of agreement compliance, and it is important that responses to requests for documents at various stages of a monitoring review and responses to monitoring reports be submitted in a timely manner.

Program compliance is conducted to meet the following objectives:

- Review Grant Recipient performance. A Grant Recipient's performance will be monitored to ensure that activities have been completed and beneficiaries served in accordance with a Grant Agreement's Performance Statement and that funds have been expended for eligible costs as identified in the budget;
- Review agreement records for compliance. A Grant Recipient's performance will be monitored to ensure compliance with TDA requirements, as outlined in the TxCDBG Grant Agreement and other applicable state and federal rules, regulations, policies, and related statutes;
- Prevent fraud and abuse. A Grant Recipient's systems and other policies and procedures used to administer TxCDBG funds will be monitored to ensure that adequate protections against fraud and misuse of funds are in place;
- Identify any necessary corrective actions. Compliance monitoring performed through a self-monitoring review or through a TDA desk review or on-site review could result in prescribed corrective measures to be carried out by the Grant Recipient in order to remediate non-compliance or to address performance deficiencies; and
- Identify technical assistance needs. A monitoring review may reveal a need for additional technical assistance for specific area of project implementation such as environmental review, labor standards administration, or recordkeeping.

Recurrent unsatisfactory performance and delays in submitting responses to documents requests, Monitor Review Reports, and delays in timely submitting close-out documents may result in a reduction in funding or it may affect a Grant Recipient's eligibility for future TxCDBG funding.

13.1 Monitor Review Methods

TDA utilizes several methods for conducting comprehensive monitoring reviews of Grant Recipient compliance with TxCDBG programmatic rules and requirements pursuant to the Grant Agreement. The methods are self-monitoring, desk review, and on-site review. TDA uses a risk assessment tool to objectively evaluate the programmatic compliance risk of TxCDBG-funded projects, which is then used

to determine the method of compliance monitoring. Each method of review requires an examination of the Grant Recipient's project records to assess compliance with a specified scope of program requirements in the standard categories listed below. The scope of compliance duties is the same for all methods of review. However, non-standard checklist categories may be included in the review for special types of projects- for instance, housing rehabilitation or projects requiring relocation of displaced persons.

- Procurement of professional services/administration services
- Environmental review (unless previously selected for review by TDA staff)
- Construction/materials agreement procurement review
- Special conditions review
- Labor standards review
- Fair housing and equal opportunity review
- Acquisition of real property review
- Force account review

A Monitoring Review for all methods will generally be conducted when:

- The Grant Agreement has not been previously monitored, at least seventy-five (75%) percent of the TxCDBG funds are drawn, and the construction or project activities are substantially completed; or
- TDA has received a *Project Completion Report*, regardless of the percentage of funds drawn.

13.1.1 Self-Monitoring Review

A TxCDBG agreement rated as low risk generally qualifies as a compliance review to be conducted through Self-Monitoring. At least ten percent (10%) of low-risk agreements will be randomly selected for a desk review. This method allows the Grant Recipient and a TxCDBG certified administrator to review the source documentation used to determine compliance with federal, state, and program requirements and certify the results. The TDA Program Monitor will then review the certified results, including any self-reported findings and corrective actions taken. TDA Program Monitoring staff will conduct a concurrent desk review of the Grant Recipient's financial management records to assess performance for adequate controls, recordkeeping, cost eligibility, and appropriate receipt and disbursement of project funds.

The self-monitoring review includes the following steps by TDA staff:

- Notify the Grant Recipient of the TxCDBG Grant Agreement(s) selected for self-monitoring review and explain the purpose of the review.
- Request the necessary documentation:
  - All financial management records to be uploaded in digital format to the TDA-GO grant management system, and
  - Completed self-monitoring checklist, certified by the chief local official (certification occurs when the authorized official changes the status of the Monitoring Form to transmit the checklists to TDA in TDA-GO); For detailed instructions on completing the self-monitoring checklists, see *Self-Monitoring Reviewer Instructions* **(Form 1303)**.
- Review the applicable financial documents and evaluate compliance, which includes notifying the Grant Recipient of required corrective action and requesting additional documents and information as needed; and
- Follow up after receiving the certified results of the self-monitoring review with an acceptance of the completed checklists or with instructions for additional corrective action required by the Grant Recipient to address any outstanding compliance issues in the scope of the review. The acceptance letter will also note satisfactory completion of the financial management desk-review.

13.1.2 Desk Review

TDA program monitors generally conduct a desk review for medium-risk agreements. A desk review may also be conducted for the following situations:

- A low-risk agreement that has been randomly selected for a full desk review;
- An interim review for an alleged program policy violation which has been referred to the program monitoring section for compliance review; and/or
- TDA reserves the right to conduct a desk review at its discretion.

At least two (2) weeks prior, TDA staff notifies the Grant Recipient in writing of a scheduled desk review.

The monitoring desk review includes the following steps by TDA staff:

- Notify the Grant Recipient of the TxCDBG agreement(s) selected for desk review, explain the purpose of the review, and request agreement and project related documents to be uploaded in digital format to the Monitoring Form in TDA-GO;
- Review the applicable agreement documents and evaluate compliance; and
- Follow up within thirty (30) days of the desk review with a formal written report of the Grant Recipient's overall performance.
  NOTE: The scope of review, complexity of issues, or number for findings on a review may require additional time to provide a formal report.

13.1.3 On-Site Review

The on-site review may be conducted in the following situations:

- TDA policy requires on-site review of the agreement records and project site for specially funded grants;
- Risk assessment of the agreement results in a high-risk rating and at least fifty percent of the TxCDBG funds are drawn;
- A complaint is received or TDA becomes aware of a serious matter of alleged non-compliance which warrants an on-site monitoring visit; and/or
- TDA reserves the right to conduct an on-site review at its discretion.

At least two (2) weeks prior, TDA staff will contact the Grant Recipient to schedule and to explain the purpose of the on-site review.

The following steps by TDA staff are an integral part of the on-site monitor review:

- Conduct an entrance conference with appropriate local officials and their representatives to explain the purpose of the visit and schedule an exit conference;
- Review the applicable agreement files;
- Interview members of the Grant Recipient's staff, engineers, consultants and/or project beneficiaries, as appropriate, to discuss project-related issues;
- Tour project site(s); a local official and/or other local staff who are knowledgeable about the project activities should accompany the monitor on the project site tour to answer questions about quantitative accomplishments, projected construction completion, and whether beneficiaries are being served, etc.;
- Conduct an exit conference to present the preliminary conclusions that may be a result of the review; and
- Follow up within thirty (30) days after with a formal written report of the on-site review.

13.2 Monitoring Procedures

The monitoring review process takes place in TDA-GO, using the Monitoring Form. Detailed step-by-step instructions for completing and submitting a response to a monitoring notice in TDA-GO may be found on the TDA website.

13.2.1 Documentation Request

The Monitoring Form is initiated by TDA staff. The Grant Compliance Monitor will select the areas for review and method of review, as indicated on the Monitoring Documentation Request form. An automated email notice will be delivered to certified administrators (Project Director and Consultant roles) assigned to the grant document when the Grant Recipient at least two weeks prior to the date the requested documents are due.

- Compliance areas selected for Self-Monitoring review are indicated on the *Monitoring Documentation* page.
  - A separate tab is available for each self-monitoring checklist.
  - A response is required for every question on the checklist; if the checklist indicates clarifying information is necessary, provide the requested information.
  - During the self-review process, if it is discovered that the Grant Recipient failed to follow TDA procedures or violated a federal law or regulation, the Grant Recipient must self-report the violation and submit a Corrective Action Plan (CAP).
- Compliance areas selected for Desk Review monitoring also indicated on the *Monitoring Documentation* page.
  - No checklist tab is available for these areas.
  - TDA staff must review certain TxCDBG agreement file support documents at the time of their review. Provide all documents listed on the *Support Documentation for Monitoring Review* (**Form A1302**)
  - Depending on the type of project, other specialized agreement support documents may be requested by the respective TxCDBG monitor at the time of the review.
  - Upload documents related to the compliance area to the *Monitoring Documentation* page.
- Compliance areas selected for On-Site Monitoring are noted in the same manner as a Desk Review.
  - TDA staff will confirm the date for the on-site review and will record the date in the *General Comments* section of the page.
  - Review **Form A1302** and confirm that all required documents are available in the local files.
  - On the date of the on-site review, TDA staff will conduct the review:
    - conduct an entrance conference with appropriate local officials and their representatives to explain the purpose of the visit and schedule an exit conference;
    - Review the applicable local files;
    - Interview members of the Grant Recipient's staff, engineers, consultants and/or project beneficiaries, as appropriate, to discuss project-related issues;
    - Tour project site(s); a local official and/or other local staff who are knowledgeable about the project activities should accompany the monitor on the project site tour to answer questions about quantitative accomplishments, projected construction completion, and whether beneficiaries are being served, etc.; and
    - Conduct an exit conference to present the preliminary conclusions that may be a result of the review.

When the steps above are complete, the Authorized Official must change the status of the Monitoring Form by selecting *Submit Monitoring Documentation* in the Status Options section of the navigation menu.

13.2.2 TDA Staff Review

The TDA Grant Compliance Monitor will review the applicable documents and evaluate compliance.

- If the submitted documentation is acceptable, TDA staff will update the status of the document to Monitoring Report Complete.
- If non-compliance is identified which requires corrective action, or if additional information is needed in order to determine compliance, TDA staff will update the status of the document to *Corrective Action Required*, generating an automated notice to the Grant Recipient's certified administrators.
    - Once requested corrective action and/or additional documentation has been uploaded to TDA GO, the Authorized Official must update the status to Submit the Corrective Documentation.
- In most cases, the Grant Compliance Monitor will attempt to informally resolve preliminary findings by allowing the Grant Recipient to provide additional documentation, clarifying information, or by remediating a violation, if possible.

A formal written report of the Grant Recipient's performance, along with associated correspondence, will be uploaded to the *Monitoring Documentation Request* page by TDA staff.

13.3 Results of the Monitor Review

13.3.1 Decision Categories

As a result of the review, the monitor may reach one or more conclusions that indicate the following:

- The Grant Recipient's performance was in compliance with the requirements of the TxCDBG program;
- Project achievements were substantially the same as outlined in the agreement performance statement;
- Concerns about the project's performance must be brought to the attention of the Grant Recipient;
- Technical assistance was provided and/or is necessary; and/or
- Findings are revealed that require corrective actions.

The Monitor Review Report conclusion(s), positive or negative, are supportable, defensible, and adequately documented. The Monitor Review Report fully identifies every finding and concern.

According to HUD standards:

- A **finding** is a violation of law, regulation, or program policy that can result in a sanction.
- A **concern** is a matter that, if not properly addressed, can become a finding and can result in a sanction.

13.3.2. Non-Compliance Procedures

If the monitor review reveals findings and/or concerns, the monitor prepares a report that outlines the non-compliance findings and/or concerns and identifies resolutions and/or recommendations for each agreement that is reviewed. The Monitor Review Report is generally sent to the Grant Recipient within thirty days of the on-site monitor review. If a response to the Monitor Review Report is required, the Grant Recipient must respond to TDA within thirty days from the date of the Monitor Review Report or by the specified due date contained in the report. Failure to resolve non-compliance findings may result in the following actions:

- The remaining balance of the TxCDBG funds is placed on hold, or deobligated;

- Unresolved findings of questioned costs or use of funds result in the disallowance of the related expenditures and require repayment of funds to TDA;
- Violations regarding the following categories may cause a reduction in the reimbursement of administrative fees in accordance with the table below. Note that if the TxCDBG budget does not contain an administration category, TDA may reduce funds from another budget line item.

Violation	Amount of Reduction
• Acquisition	10%
• Environmental clearance	15%
• Equal opportunity/fair housing	10%
• Labor standards	15%
• Financial management	10%
• Procurement	15%

• Inaccurate, incomplete, or delinquent reporting
  o Progress Reports
  o Project Completion Report
  o Section 3 Report
  o Required written response failing to meet an established due date
	10%

- The Grant Recipient is penalized in the scoring process for future funding;
- The Grant Recipient is prohibited from applying for future funds in a certain TxCDBG grant fund category or all fund categories for a period of time based on the level of the noncompliant issues and required resolutions; and
- The Grant Recipient is penalized by other sanctions that are deemed allowable by program rules, regulations, policies, agreement provisions, and law.

13.3.3 Corrective Action Plan (CAP)

TDA may require the Grant Recipient to develop a written corrective action plan (CAP) in response to compliance findings and/or performance deficiencies. The CAP is subject to TDA's review prior to acceptance. The CAP must specifically address the known cause(s) of the violation or performance issue and provide a substantive and practicable proposition for improving future performance. CAPs must be on the Grant Recipient's letterhead, must be signed by the certifying officer, and, *at minimum*, must include the following six parts.

1. A statement acknowledging the violation as determined in TDA's monitoring finding.
2. Identify the cause of the violation and specify the process to be implemented for improving performance and complying with program requirements.
3. Identify who will be involved in the process.
4. Name a certifying officer responsible for implementing the plan.
5. Provide the date on which the corrective measures will be implemented, which includes a statement affirming that the CAP will remain in effect for any future TxCDBG awards.
6. A statement acknowledging that failure to effectively improve performance may result in a reduction of funding or other sanctions as determined by TDA.

13.3.4 Post Monitoring Report

Following the conclusion of a comprehensive monitoring review, a Grant Recipient's project records for all areas of compliance remain subject to further examination where warranted. Findings of policy violations will result in appropriate enforcement action in accordance with 24 CFR §570.492 and 2 CFR §200.338. In addition, prior to close-out of a Grant Agreement the Grant Recipient may be required to provide supplemental financial documentation verifying any additional grant and local match

transactions which were not previously included in the financial management desk review. The Grant Recipient may also be required to produce additional documents, such as labor standards records, in order to confirm programmatic compliance with project activities that occur after issuance of the original monitoring report.

Resources

Resource Number	Description	URL
A1302	Support Documentation for Monitoring Review	TDA Forms page
A1303	Self-Monitoring Reviewer Instructions	TDA Forms page

*Note: these items will be updated as needed.